THE WORKERS' STRUGGLE AGAINST CAPITALIST DEPRESSION AND THE WAY OUT

THE AUSTRALIAN RAILWAYS UNION
EDUCATIONAL AND ORGANISING SCHEME

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Being a Brief Survey of the Effects of Capitalist Depression Upon the Working Class, with Particular Reference to Conditions in Queensland, and in Australia Generally; An Examination of the Break-down of the Capitalist Economy, and of the Failure of the Capitalist Economists Either to Understand or to Remedy This Disastrous Condition of Affairs.

An Exposure of the Quack Remedies of the Economists, Orthodox and Unorthodox Alike, with Some Reference to the Leading Australian Apostles of Deflation (Not to mention Sir Otto Niemeyer and the Premiers' Plan) and the Delusive Quality of the Prosperity which is Still "Around the Corner."

A Consideration of the Ultimate Identity of All Proposals Under Capitalism for Either Deflation or Inflation —Since both aim at the Restoration of The Capitalist Rate of Profit, which can only be achieved by the progressive Degradation of the Conditions of the Workers, together with an Appreciative Exposure of the Conclusions of One Honest Capitalist Economist, who not only confirms Marx's Analysis of Capitalist Tendencies, but gives a Convincing Reason Why, in the Choice between Barbarism and Communism, the Workers Must Take the Path of Marxian Socialism which Leads to Communism or Else Suffer a Dreadful Fate.

All of which is completed with a Brief Recognition of Marx's True Place in the Development of the Science of Economics, a Summary of His Analysis of The Crisis and the Justification of His Views, As Seen in the Growth of Fascism as Capitalism Declines, and the Progressive Advance of the Russian Workers As They Follow the Marxian Road; Showing that the Path to Peace and Freedom is the Path of Working Class Struggle Against War and Against Fascism, in which Understanding Provides a Basis for Action, and Education and Organisation Are Seen to be of Vital Importance.

FOREWORD

This is the first of a series of pamphlets proposed to be issued by the Queensland Branch of the A.R.U. as part of the educational programme adopted by the State Conference of the Union at Toowoomba in November last. Its author, Gordon Crane, needs no introduction to the workers of Queensland, because for some years he was an officer of this Union, carrying out duties that brought him into contact with trade unionism in every portion of the State of Queensland. Prior to becoming associated with us he had been a tutor for the W.E.A. in Central Queensland. In that capacity he established for himself an enviable reputation for his wide learning, his clear understanding of the principles of Marxian economics, and his shrewd knowledge of foreign affairs. His capacity as a tutor in the economics of Crisis and "Recovery" is beyond challenge.

The decision of the Queensland Branch of the A.R.U. to launch an educational scheme in working class subjects follows on the decision of the Federal Conference of the Union in 1935 to make available to members an opportunity to study the causes and effects of the economic ills which they are suffering, particularly since the commencement of the present crisis. I think that apart from their everyday functions of attending to the industrial welfare of their members, there is a responsibility on unions to equip their members with a knowledge of the economics of capitalism. In fact, I believe, that in present-day circumstances, the spreading of such knowledge should be the *chief* function of unionism. When that knowledge is acquired by a large number of unionists, they will more readily understand the causes that prevent them achieving greater progress by their industrial and political activities; and such understanding will, in turn, cause them to seek to make their unions more efficient fighting machines, better organised than they are at present, and more easily adaptable to the role of becoming the controllers and operators of industry in the Socialist of society by which capitalism will be replaced.

Therefore, the A.R.U. recognising the urgent necessity for, and the importance of, working-class education, has undertaken the obligation of supplying it to members. Our activities in that direction will embrace the conduct of short terms schools for the tuition of class leaders, the establishment of classes and study circles in the various centres, the conduct of radio lectures where possible, the preparation and distribution of pamphlets on appropriate current subjects of importance to the working-class.

This first pamphlet, covering as it does, a clear examination of the causes of economic crisis, and a lucid analysis of many of the quack nostrums proposed for recovery, will, I feel sure, arouse a keen interest in our endeavour to provide opportunities to our members for the study of subjects that seriously influence their every day affairs; and I am hopeful that it will arouse such a ready and enthusiastic response to our efforts, that will enable us to extend our functions in the sphere of working class education to a point that will make them the spearhead of union activities in this and other States of the Commonwealth.

T. MORONEY

General President and State Secretary, Australian Railways Union.

PREFACE

Owing its conception to the brilliant critical and analytical work of John Strachey in his remarkably effective book, "The Nature of Capitalist Depression," a work which it seeks to popularise, this pamphlet makes no pretence, except for the introduction of a certain amount of Australian material and commentary, at being other than a brief summary of Strachey's work.

I have followed him very closely over ground with which I was already familiar, and the line of approach, and the general logic of the demonstration, are, as far as I could make them in the space, entirely his.

Having made this acknowledgement, I must, however, take full responsibility for the interpretation which I have placed upon Strachey's analysis: and the deficiencies in the exposition, if any, are mine, not his.

With regard to the Australian position, and as the pamphlet is intended, in the first place, for distribution among Queensland railwaymen, as a foundation for the development of the A.R.U. Educational and Organising Scheme in this State, I have thought it better to give a general and fairly detailed account of the effects of the depression, the Premier's Plan, etc., upon that particular industry, rather than to attempt to paint a broader picture of the general course of the crisis in Australia. What is revealed, in its clear outlines, in this industry, and in this State, can however, be regarded as applicable, with very little alteration, to the experience of most other industries in the other States of Australia.

I hope that this pamphlet may arouse Queensland railwaymen and other workers to the need for attaining an understanding of their position in the present stage of their struggle against capitalism. History does not wait for the laggard, and the Australian workers must arouse themselves to play their part in the historical mission of the working class as a whole, as pointed out by Karl Marx nearly one hundred years ago. I hope that this pamphlet may prove a weapon in this struggle, and may help to build the United Front of the Workers in this country, not only in the immediate struggle against war and Fascism, but against Capitalism itself, so that the utmost pressure may be exerted while the very foundations of the system tremble.

F. GORDON CRANE

Emu Park, Central Queensland, January, 1937.

Chapter I.

CAPITALIST CRISIS AND ITS EFFECT ON THE WORKERS

It is eight years since the World Depression hit Australia, and six years since the workers of Queensland were forced to feel the full effect of depression by wage-cuts reducing the basic wage from its pre-depression level of £4/5/- to £3/14/6; yet, although the "return of prosperity" has been loudly hailed by politicians of all schools, and their cries echoed by Press and orthodox economists alike, the workers of Queensland and the rest of Australia are still bearing the full burdens of depression in their wages and living standards.

There are still over 30,000 unemployed workers in Queensland, and a total of at least 300,000 in Australia as a whole. In Queensland, and in several of the other States as well, the employed workers are still carrying the unemployed burden on their backs by means of a severe Relief Tax, which carries no exemption for basic wage earners, and which represents a further and continuous cut into the already low standard of living.

On the admission of the Federal Minister for Health (Mr. W. M. Hughes), there never was a time when malnutrition was so widespread among the children of the working class. In the "Courier Mail" for September, 1936, there appeared the following:

"The Federal Minister for Health (Mr. W. M. Hughes) declared today that the report of the Commonwealth Nutritional Investigation Committee that an average of only 7s. per head was spent weekly on food in Australia, as compared with 8s. 10d. in England, seemed to him conclusive evidence of the need for and adjustment of wages to provide sufficient money to ensure that children had at least an adequate supply of food.

"'I direct the attention of industrial tribunals, both Federal and State, to this damning fact,' said Mr. Hughes."

Over the past eight years the workers have been beaten into a condition of quiescence by the severity of the economic and political attacks upon their wage standards and general conditions of employment.

With the relief standard for a basic wage family set at little more than one-third of the present accepted basic wage, a new coolie standard has been set as the only wage that can be guaranteed a worker under capitalism in this advanced democratic State.

"Australia is leading the way bravely in the great endeavour to bring the labouring population as a whole up to a high level of cultural and physical equipment," wrote Prof. Marshall, leader of the Cambridge school of economists some years ago. But Professor Marshall, with his idea that all was for the best in the best of all possible worlds under capitalism, died before the present world-wide depression undermined his optimistic beliefs. His disciples ever since, as we shall see later, have been at their wits end to explain how it is that Prof. Marshall's beautiful theory of economic equilibrium failed to work in the years which followed the war.

At last, however, disappointed in their hopes of any further improvement of their conditions under capitalism, the workers are now beginning to stir themselves for a resumption of their assault upon the citadel of capitalism—for a demand that, if prosperity has returned, it should be shared by all, and for a demand that the problem of unemployment shall be attacked, in the only effective way that it can be attacked under capitalism, by an all-round reduction in working hours.

The workers are stirring, and the bitter experiences of the past eight years, if it does nothing else, should teach them that they will need to enter the next phase of their struggle with a solidarity and determination greater than that with which they entered the last. **It behoves the workers to exact such concessions from capitalism as they may while there is evidence even of a partial recovery of industry. Only by such aggressive action can they regain their confidence and enter the next decisive phase of the struggle in a more strongly entrenched position than they at present hold.**

Discounting, for the moment, the inspired pipings of the optimistic economists who tell us that Queensland is within 1.5% of the pre-depression level of prosperity, and the cheerful £750 a year politicians who still speak

of this country as if it were a workers' paradise—"the highest wages, lowest prices, and shortest hours in the Commonwealth," etc., ad nauseam—let us get down to some of the basic and elementary facts of the position as they reveal themselves to-day.

QUEENSLAND WORKERS AND THE DEPRESSION

In June 1936, despite the misrepresentations of the statisticians, there were in Queensland at least 34,000, and probably as many as 36,560 workers (including the coolie-level Intermittent Relief workers) unemployed in this State. Taking the higher figure, this gives an approximate percentage of 18.8 of the total workers dependent upon wages in the State. This figure can be compared with the figure of 22.8% at the height of the depression in 1931.

In the financial year ended June 1936, the Public Service Commissioner reported that the actual salaries and wages expenditure of the State Government for that year to all government employees, including the Railways Department, represented, under the conditions of the Premiers' Plan, a saving of nearly £1,000,000 (actually £985,896) compared with the expenditure in 1929-30. Since the number of employees was approximately the same, this represented the aggregate reduction in the living standard of these particular workers. It is calculated (on the basis of the Annual Reports of the Commissioner for Railways) that since 1930, Queensland railwaymen alone, have lost £6½ million in wages.

This represented the continuation of a cut averaging 12.7 per cent of the pre-depression wages of government servants. The increase that has been awarded since, estimated to cost £130,000, out of a total of previous "saving" of £985,876, will go entirely to salary-earners drawing £260 a year and over. The reduction in the basic wage and of all wages dependent upon that wage still remains at 12.94 per cent of the wage of 1929, at which figure it has stood since July 1931.

It is not proposed in this pamphlet to pile up a mass of figures for the simple purpose of proving what every worker already knows—that he is so much worse off than he was in 1929 or in 1926.

Queensland railwaymen, who were responsible, by their action in proclaiming a State-wide strike in 1925, for raising the basic wage from £4 to £4/5/-, irrespective of price indexes and the learned arguments of Arbitration Court judges, are in a particular position to realise how badly their position has slipped. Not only have their money wages been reduced in the proportion of £4/5/- to £3/14/-, but they are back on the old price-index scale from which they had succeeded in raising themselves and their fellows in 1925.

UNPREPARED TO MEET BOSSES' OFFENSIVE

The workers of Queensland are worse off than they were in 1929, chiefly because the depression and the employers' attack caught them unawares. Warnings given to the Queensland workers that the defeat in turn of the waterside workers, miners, and timber-workers in the South would prepare the way for a more general offensive upon working-class wages and conditions were almost completely ignored.

When the time came for the offensive to hit Queensland the workers' resistance to the employers' attack was already weakened by the sound trouncing which they had seen the bosses give the workers in the South. Where the earlier offensive had hit Queensland—as it had to a slight extent in the waterside workers' struggle of 1928—railwaymen had stood by powerless while, as a result of division in their own ranks, and a general lack of solidarity, hundreds of the most sincere and class-conscious fighters in Brisbane, Bowen and certain other militant ports in the North were hounded off the wharves under sentence of non-employment in their chosen vocation—as far as the employers were concerned—which should last as long as they lived.

Years of dependence upon the policy of the reformist Labour Party and the reformist leadership of the vast majority of the trade union leadership, the passive acceptance of the Arbitration Court and its decisions had weakened the powers of resistance of the workers. Unaccustomed for many years to fight, even in a period of comparative capitalist advance, for higher wages and improved conditions, they were absolutely unprepared to stage a direct industrial struggle when threatened with the full force of the bosses' offensive. Neither the organisation, policy, or leadership of the bulk of the unions was

such as to enable a successful struggle to be maintained: but those militant sections which were prepared to rally the rank and file to resist the attacks, found themselves undermined by the defeatist propaganda of the Trade Union officials—led by the A.W.U. as the defender, above all, of the right of the Labour Party to exploit this position as a means of getting back into office.

In the meantime the bankruptcy of its reformist policy, the callous brutality of its anti-working-class policy (Wage reduction, 1922; Railway Strike 1925; Building-Trade Strike and Railway Lockout 1927) its persecution and suppression of militant class-conscious elements in its ranks (anti-Communist pledge exclusions 1926; refusal of free speech and police protection of "scabs"; and batoning of strike supporters in the Waterside workers struggle 1928) as well as the general opportunism of its leading members (Mungana revelations from 1926 on) had so disgusted large masses of the workers with the Labour party that, insufficiently prepared to displace the reformist Labour Government with a genuine working class party of the class struggle, they allowed the Labour Party to be defeated in 1929, and found a recognised government of the bosses prepared to put in the boot when the axe of depression fell in 1930.

1925 AND 1930

The fight against the bosses' offensive under the Premiers' Plan—anticipated in part by the Moore Government upon the expert advice of its official economist, Prof. Brigden—whose wage-cut argument in "Escape to Prosperity" must be read as a sort of preface to the Premiers' Plan, in the working out of which in 1931 he was one of the lieutenants—was weak, brief and ineffective. A couple of hundred militants in the North and a bare handful in the centre were selected as the victims, and the mass of the workers were cowed into instant submission.

Capable of staging a winning fight in a spontaneous gesture of resistance to the Arbitration Court's latest refusal to redress their three-year old grievance of wage-reduction, the railwaymen (after three years of unremitting agitation and preparation) had been able to step across the artificial barriers created by craft and sectional unionism, achieve rank and file solidarity, and win—after a brief ten-day struggle in 1925.

But in 1925 times were relatively good. Unemployment was low and noticeably below even normal averages for good times. Work was plentiful, railwaymen were on full time; railwaymen, in common with other workers, were still suffering a basic wage cut of 5/- per week, imposed by the Arbitration Court and the Labour Government in conjunction in 1922, which Arbitration Court and Government both refused to restore; discontent was rife, and as the result of a long and continuous agitation, the tide of dissatisfaction was rising. There was a rising wave of militancy within the whole Labour Movement. The stage was set, and the fight was fought and won before any signs of weakness could appear.

In 1930, when the first blow fell upon the backs of the railwaymen and public servants, the position was different. Already railwaymen had been, in many sections, on short time since 1928. Traffic and workshops men were being drafted on to the lengths and there was a general feeling of insecurity. The Labour Party elements among the workers were discouraged by the defeat of the Labour Government, and the leading elements in the Labour Party, and its chief industrial spokesmen from the A.W.U., did everything possible to discourage the workers in their resistances to the direct bosses' offensive.

Once again, the tightening-up of the Federal Crimes Act, the Dog-collar Act, under which the waterside workers had already been regimented, and the lack of a sufficiently strong militant leadership in the ranks of the workers all militated against the possibility of effective resistance. Already the Moore Government had pioneered its "forced labour" scheme for the unemployed—part-time relief work for a bare ration allowance; and the railwaymen—who with the Public Servants were the first to face the challenge of wage-reduction—were powerless and unable to stage an effective resistance.

Railwaymen were subdued and driven to accept conditions which they would never have dreamt of enduring a few years before. To the extent that experience teaches, they were given a foretaste of what Fascist capitalism in decline can mean to a non-resisting working class. It is because experience, in itself, teaches nothing but the limits to which

human endurance may be pushed that this pamphlet is being written; it is because only knowledge and understanding of what to expect forewarns, and provides a basis for the resistance that is needed, that the A.R.U. Educational scheme has been launched.

IGNORANCE BREEDS FASCISM

Without understanding the strength of the forces arrayed against him, without a knowledge of the character of the struggle which he is called upon to wage, the worker's resistance is bound to be blind and largely ineffective. Under such conditions even a minor defeat is liable to breed hopelessness and despair. With knowledge and an intelligently trained leadership the workers can not only properly prepare themselves for the struggle, but they can preserve their morale—like a well-disciplined army—under the most adverse conditions.

The conditions which made possible the first emergence of Fascism in Europe can be traced ultimately to a lack of fundamental understanding of the elements of the working class struggle. In Italy, the industrial militancy of the masses battered ineffectively upon the collapsing structure of capitalism because there was lacking that soundly-knit, well-disciplined class-conscious party of the workers, which, as in the experience in Russia, has alone proved capable of leading the workers on to victory.

In Germany the rapidly growing strength of this party, in the period immediately before the Nazi coup, proved insufficient to avert disaster. Years of misapplication of the Marxian doctrines by those false leaders who had disintegrated the international working class movement in the early weeks of the War had sapped the initiative of the masses, had left relics of misunderstanding and confusion in the minds of the workers, so that many of them drifted alternately on the fringe of Communist, Social-Democratic and Nazi organisations, with their claims and counter-claims and promises of what they could do. Division, as always, produced demoralisation, and division had its ultimate roots in a lack of understanding.

"For nowhere and never," says John Strachey, in "The Theory and Practice of Socialism," "have workers' movements succeeded unless they have mastered and applied the scientific discoveries of Marx, Engels and Lenin. This is by far the most important lesson to be learnt from the history of the last century of working-class struggle."

The first and most important lesson to be drawn from this body of doctrine—supported as it is by the years of successful and unsuccessful struggle of different sections of the working class—is the need for unity. It was unity which brought victory in 1925. It was unity, based upon a proper understanding of the elements of the struggle, which the railwaymen lacked in 1930. To-day, as they slowly feel their way towards this unity for a renewal of the struggle, it is more than ever necessary to make this unity effective by basing it upon a proper understanding of the issues at stake, so that their struggle shall not be one-sided, their tactics shall be suited to the prevailing conditions, and their morale capable of standing up to the many temporary reverses which they much suffer until, with growing strength, they sweep all obstacles before them.

A FORETASTE OF FASCISM

Railwaymen in the years between 1930 and 1932, as we have seen, were subdued and driven to accept conditions which they had proved powerless to resist. Short-time, Relief Tax, and the Moore-Morgan Superannuation Scheme (this latter imposed by Act of Parliament after it had been rejected by a 2 to 1 vote of the workers in a ballot) compelled them even after their wages had been reduced by 15 per cent in July 1931—to make a threefold contribution (fourfold, if the regular Unemployment Insurance contributions be considered) to the support of their own and the unemployed of other industries.

Large sections of the wages men in the railway—particularly in traffic, locomotive and workshops sections—were reduced to a position where they were little better off than Intermittent Relief workers on rations. On little more than half-time, they were unable for their debts, and were compelled to pay as well, the three-fold imposition of

Unemployment Insurance	6d. per week
Relief Tax	6d. in the £
Superannuation 5%	1/- in the £

such as to enable a successful struggle to be maintained: but those militant From such obligations as these, the Intermittent Relief workers on their admittedly coolie standards, were at least exempt.

Railwaymen had jobs which provided them with less than enough to meet their obligations. Having failed to fight when the issue arose they became demoralised under the increasing burdens of the attack, and, apart from those who placed their hopes in the return of a Labour Government—oblivious of the fact that Labour Governments in the South were backing up the Premiers' Plan with a willingness equal to that of the Tories—they hoped that the return of a Labour Government "next year" would put things right.

In the meantime, as State employees working under an extremely reactionary government during a period of capitalist crisis, the railwaymen were given the most exemplary foretaste of what Fascist control and regimentation can mean during a period of capitalist depression and decline. Short of complete suppression of unionism, everything possible was done to repress this section of the workers whose industrial strength had been previously revealed. It is in order that such conditions shall not be wittingly allowed to recur that these words are being written. **Let railwaymen remember the suppression and degradation of those depression years, and build now, and without delay, the will to struggle against the barest threat of the recurrence of such conditions.**

We have said that "ignorance breeds Fascism," and that under the Moore Government the railway workers, in particular, and other workers in general, suffered "a foretaste of Fascism," but it is necessary to realise that in Queensland, and in Australia, generally, the workers have so far only experienced the first stages of the preparations for the Fascist attack. So far the democratic forms remain: the Nationalist and other Tory parties of the bosses still cloak their attacks under the forms of democratic freedom: the Labour reformists, playing the part of Social-Fascist, preserve the illusions of class collaboration, and by preaching State Socialism under a capitalist State, prepare the way for the complete emergence of Fascism in the form of National control of the State as a whole.

The workers must distinguish between the two stages—the preparation for, and the actual emergence of, the forces of Fascism. For, as experience in Europe has proved, it is too late to commence an effective struggle against Fascism when it is here. The workers must not only be prepared to fight, but must begin to fight now, in class-conscious unity against these preparations for a Fascist attack. If they leave their fight until later, they will find that it is only after long suffering, and the decimation of the pick of their leaders, that they will be able to build up, extremely laboriously, an anti-Fascist workers' organisation to struggle for the overthrow of the Fascist regime.

LABOUR AND THE DEPRESSION

The return of the Labour Government in 1932 introduced a further period of disillusionment for those whose eyes had not already been opened to the limitations of a reformist Labour Government determined to operate within the bounds set by constitutionalism and the capitalist system itself. How far the Labour Government has succeeded, after nearly five years, in curing the depression, in improving the workers' conditions, the workers themselves can judge. There has been no more recovery in Queensland than in any other part of Australia. Wage-rates remain the same. Unemployment has been slightly reduced. Railwaymen are on full-time. That is all.

Typical of the mentality of these "saviours of the people" is the utterance of Labour's Minister for Labour, when, twelve months after the return of a Labour Government pledged to return conditions to normal, he urged single men who sought something better than one day's Relief Work a week to emancipate themselves and become entitled to the privileges of the married men (i.e. £1/0/3 a week). Mr. Hynes, the Minister for Labour, was receiving a deputation from the single unemployed seeking some improvement in their conditions. He had refused to consider the erection of shelter sheds for the unemployed. He went on:

> **". . . . I cannot understand why, whenever people get into difficulties they rush to the Government to get them out of their difficulties. I again tell you single men," the Minister concluded, "that the best way to emancipate yourselves is to get married and thus become entitled to**

the privileges of the married men." (i.e. £1/0/3 a week for Relief Work)—Report in "Cairns Post," Jan. 13, 1933.

Labour's policy for the unemployed was to take over the Tory-instituted Relief work scheme, slightly ameliorate its conditions, and then to perpetuate it, unctuously persuading themselves that, because they had given these unemployed workers the right to earn a basic wage rate instead of a slightly lower ration scale, for one, two, or three days a week, on Relief Work, they had restored conditions to normal.

No substantial advance has been registered to compensate the workers for the severe cuts in their standard of living during the years of the depression.

The economic laws of capitalism in depression still continue to operate, without disturbance so far as these smug Labour members of Parliament are concerned. As that chief apostle of capitalist deflation, Professor Brigden, himself admits:

> **"In the boom of a crisis prices rise because currency and effective purchasing power increase. Wages rise also, but never so high as prices. In a system with a minimum of social control prices rise before wages, and they do so only to a lesser extent with the maximum of 'artificial interference.' For economic law sets real limits to such control. The fact is that as a rule wages do rise last. Prices rise a little faster than production because credit and currency expand more quickly. *Wages lag because wage-earners are less business-like. And in the inevitable conflict of interest between buyers and sellers of labour, the buyers resist as long as they can. When the boom bursts wages have to fall. This is not only morally outrageous, but it appears to rob the wage-earners during both phases of the crisis.*"**

By retaining Professor Brigden as their chief economic adviser, the Labour Government of 1932, although in opposition they had bitterly attacked his policy as applied by Moore, completely identified themselves with the "sound economic principles" which had been used to batter the workers between 1929 and 1932. By turning him into a trusted administrator, with extraordinarily enhanced powers, they have retained him at their disposal, so that when the next crisis may occur he may provide them with the expert advice which is so necessary if the workers are to be kept in check, and incidentally, if the valuable skins of Labour members are to be saved while they exert themselves to emancipate the workers, by offering them £1/0/3 a week—while they preserve for themselves all the amenities and blessings which capitalism bestows upon the well-to-do.

Labour ministers and members may loudly proclaim that prosperity has returned to Queensland—but the basic features of the Premiers' Plan still remain. The Commonwealth Bank, acting as the organ of the private banks, still dominates the Loan Council and decides how much Loan-Money shall be made available, in the last resort, to each of the States.

The Labour Premier of Queensland fulminates against the Loan Council and the Commonwealth Bank—with the assumption that, if Labour were in control in the Federal sphere, things would be different. But Labour was in power in the Federal sphere in 1930-31; and Labour dismally failed to produce any policy or to effectively deal with the position—because, while it owes its chief allegiance to capitalism, it cannot. To-day, the doctrines of Niemeyerism, inculcated in 1931, still prevail; and Labour in the State sphere is as incapable of resisting these doctrines as it was in the Federal sphere in 1931.

In Queensland the only improvement that has been shown in the unemployment figures since the return of the Labour Government in 1932 is due to the expenditure of the Loan Funds that have been made available during the past four years. The conditions upon which these loans are made available, involve subservience to the policy of the banks, and Labour knows this as well as anybody else.

ANOTHER DEPRESSION

Cut off these loans and the position will immediately slip back to the position in which it was in 1929-30, when loan funds were cut off. The workers of Queensland and the rest of Australia will then face another depression—more severe than the last, because it will start, not from the comparatively high level of 1929, but from the absolutely low level of 1937. Already there are indications of a restriction of the loan funds available—

two loans have been under-subscribed, the Commonwealth Bank is placing a limit upon the amount which it is prepared to make available. A further tightening-up can only bring a recurrence of the deflationary methods of 1930 and 1931—wages cuts, increased unemployment, and a general increase in the misery of the workers.

Further cuts into the present basic wage can only mean starvation. Further collections of Relief Tax to feed a growing army of unemployed, rising rapidly to double its present figures, can only mean an approximation of the conditions of employed and unemployed. The men in jobs may thus find a basis for unity with the men without jobs—because all will be equally badly off.

This picture is not drawn in any pessimistic sense; the author is no scaremonger, seeking to stampede the workers into an attitude of despair. It is a sober statement of the facts of the present situation and the possibilities which the workers must face if they are not prepared.

It is always labour, as Professor Brigden admits, that "suffers most—the helpless victim of the failure of administrative capacity and discretion to keep up with organisation and responsibility." To this the only possible answer is that the workers must develop organisation and responsibility, must act in their own interests.

After eight years of depression in Australia, and many more in the older capitalist countries of Europe, the capitalist economists have begun to doubt the prospects of the recovery for which they seek. Thus, in June 1935, the economist of the Bank of New South Wales, in the quarterly circular on economic conditions issued to their customers, could write:

> **"It is doubtful whether recovery is the right word to use in connexion with future prospects, because inevitably the question arises—recovery to what? It is idle to expect that recovery will mean a return to the conditions of 1928, just as it was futile to expect after the War a return to pre-War prices and conditions. The economic world does not move in circles and in this sense economic history does not repeat itself."**

Yet, as we shall see, prior to 1922, and the growth of the big depression, there was not an orthodox economist in any part of the world who doubted that industrial crises were always cyclical, and that there was some compensation to be obtained for every slump because eventually it brought another boom. The faith of the economists, no less than the comfortable acquiescence of the working class, has received a rude shock during these depression years.

Professor Copland was preeminent among Australian economists during the depression years as adviser to banks and governments, as expert provider of "sound economic arguments" to justify governments and employers in those wage-cuts and attacks upon working class conditions to which they instinctively turned, and Professor Copland has said:

> **"Much has happened since 1930. The world has learnt that no economic order was immune from the destructive forces that struck Australia in 1930. The disasters that engulfed one nation after another in quick succession have done more to expose the weakness of economic organisation than half a century's logical criticism.** ***If we move out of this depression with nothing but the memory of disorder and suffering, we can scarcely expect the common man to retain his respect for an economic society that cannot offer him continuity of an ordered life."***

There are two corrections which may be appended, by way of comment, to this profound and philosophical reflection of Prof. Copland, as he strove, in his comfortable fashion, to explain to his fellows just how Australia fared in the World Crisis. First, it is not true to say that "no economic order was immune from the destructive forces" of the crisis. Soviet Russia was exempt, and throve in every part of its national life, while the capitalist world was wallowing in its own misery. The second is that the worker who "moves out of this depression with nothing but the memory of disorder and suffering" will be in a position to realise, at last, that it is only through his own efforts, and not through dependence upon capitalists, economists, and politicians, that he can achieve the "good life," and promote his own emancipation.

Chapter II.

CAPITALIST ECONOMISTS AND THE CRISIS

Before proceeding further with the contemplation of the prospects of the recurrence of a further period of depression of a nature and severity comparable with that through which we have just passed, it is necessary that we should gain some more general idea as to what is the nature of capitalist crisis. We must broaden our horizons and take, at least, a general theoretical view of this phenonemon which all economists agree has affected the whole of the capitalist world.

This, we shall speedily discover, is about the only aspect of the world capitalist depression upon which the economists are prepared to agree. Having persistently denied that anything could so interfere with the perfect working of the perfect system of capitalism as to bring about its break-down, the orthodox economists, when they found themselves confronted with a depression of unprecedented magnitude, took refuge in various devices—the chief purpose of all of which was to conceal the fact, becoming increasingly obvious to all, that capitalism was, in fact, steadily and surely disintegrating before their eyes.

But, before examining and exposing the complete inability of the orthodox economists to satisfactorily explain, in the terms of their own theories, why a crisis should arise for which they were able to find no satisfactory solution, it is necessary to state the question more definitely.

VITAL ISSUE FOR WORKERS

Here, surely, is the most vital issue for the working class movement to come to grips with. Is there, or is there not, a workable solution for the problems of capitalist crisis and depression to be found within the structure of capitalism itself? Is the occurrence of crises accidental to or inherent in the capitalist system?

"This is the master question," says John Strachey, in the introduction to his comprehensive survey of the whole of the problems connected with "The Nature of Capitalist Crisis." "For upon the answer to it must necessarily depend our attitude to existing society. If we come to the conclusion that catastrophic crises are accidental to capitalism, then we shall certainly work for their gradual elimination by appropriate reforms. For who would be so mad as to recommend the scrapping of the system itself if the catastrophes which it is bringing upon us were remediable? If it were possible so to reform capitalism that it would provide us with an epoch of peaceful, steady, even if gradual, social progress, then none but those who objected to the system upon ethical grounds would work for its abolition. And, even they, no doubt, would seek its abolition as the result of a series of cumulative reforms.

"Indeed," continues Strachey, "if it were possible so to reform capitalism that it would maintain human civilisation even at the level of the last fifty years; if it were possible to avert the onset of ever-worsening crises, with their tremendous train of political and military consequences, then, however bitterly we might detest the system, such a reformed and stabilised capitalism would probably survive indefinitely.

"If it becomes inescapably apparent, however, that capitalism must in future fail, not merely to provide us with a basis for social progress, but to maintain even our recent level of civilisation; if it becomes apparent that capitalism must certainly plunge us into a new series of ever-deepening crises, and that those crises can only bring both international and civil war in their train; then not only those who have always had good cause to detest capitalism, but all reasonable men will find themselves impelled to work for the overthrow of the existing system of society."

And, in facing this fundamental and vital issue, it is at once necessary to make it clear that, during the past fourteen or fifteen years which have seen the last depression develop from a casual, temporary, and limited phenomenon to a more or less permanent blight upon the whole capitalist world, the economists have been forced, point by point, to admit that they can neither understand, explain, nor cure the depression. Whatever has been done, whether upon orthodox or heterodox lines, to attempt to check the severity of the depression has served merely to redistribute, or to ameliorate, the burdens which continuous crisis has imposed upon society. He is a bold man, to-day, who professes that he can show the way for a complete return to normal prosperity under capitalism.

Regarding the first waves of depression, as they were felt in Britain and other parts of Europe in 1921 and 1922, as a mere recurrence, upon a slightly exaggerated scale—due to the particular disturbances of the War—of the normal ten-yearly trade cycle, with its ever-recurring succession of boom, decline, slump, and then back, on a rising market, to boom, decline, and slump, the capitalist economists and their masters were soon driven into a condition of panic by the persistent, ever-growing, snowball quality which the depression took on. By the time that the depression had lasted, without appreciable improvement, right through the whole period of the normal cyclical movement from good to bad times, certain of the economists were even moved to give it a sort of canonisation as the "Great Depression," somewhat as they had spoken of the last general World war as the "Great War," because of its unexampled size. To no one apparently, did it occur in the years of rapid disillusionment which followed this "last great war to end war," to suggest that this might be "the last great capitalist depression, to end capitalist depressions for ever," probably because even the economists were becoming uneasily conscious of the fact that the only way in which this particular capitalist depression would be ended would be with the end, one way or another, of capitalism itself.

To show the transition in capitalist opinion with regard to the phenomenon of perpetual world-wide capitalist depression, it is interesting to quote a few authorities.

CAMBRIDGE ECONOMISTS ON CRISIS

In 1922, when the depression had already commenced, there was published under the editorship of J. M. Keynes, a series of "Cambridge Economic Handbooks," which undertook to deal in a particularly bright, popular, and up-to-date manner, with the main principles of economic thought, as they had so far been established. In his general introduction, Mr. Keynes carefully explained that the Theory of Economics "is not complete yet, but important improvements in its elements are becoming rare. The main task of the professional economist now consists, either in obtaining a wide knowledge of economic facts and exercising skill in the application of economic principles to them, or in expounding the elements of his method in a lucid, accurate and illuminating way, so that, through his instruction, the number of those who can think for themselves may be increased."

In other words, the orthodox system of economics was regarded as a closed system; all the main principles had been established; all that was required was their development by research, and their application to the problems of real life. We shall see what happened to Mr. Keynes and his closed system in the sequel.

In this series of six volumes, it was not considered necessary to devote a special volume to the problem of unemployment. "Money" was given a separate volume in which it was treated in an easy, discursive, and mainly orthodox way. It would not be too much to say that, within half a dozen years, approximately nine out of every ten works on economics published dealt—in anything but an orthodox way—with the particular problems of unemployment and of the monetary system, which tended, year after year, to claim the attention of the economists, to the exclusion of everything else, as the full effects of the depression made themselves felt.

Let us see, now, what was the view taken by these very comfortable and self-satisfied orthodox economists of the phenomenon of capitalist crises as they had observed it.

THE ALTERNATION OF GOOD AND BAD TRADE

It is dealt with by H. D. Henderson, as a casual point which comes up, in the course of his volume, "Supply and Demand."

> "Here," he says, "we are upon the threshold of one of the most striking and formidable of economic facts, the regular alternation of periods of good and bad trade, each very widespread, if not world-wide, in its range, each comprising certain regular phases of acceleration and decay, and each infallibly yielding sooner or later to the other. The details of these phenomena are highly complex, some of them obscure; an immense literature has already been devoted to the subject, yet its systematic study is hardly more than begun."

Actually Karl Marx had properly mastered the laws which govern these crises in his "Capital" some thirty or forty years before; but the orthodox economists would have none of Marx's theories, and his really scientific analysis of the laws which govern capitalism. They preferred to follow Jevons into his speculative observations of the possible relationship between recurring crises and recurring sun-spots. But, notice, just for the moment, the air of complete indifference with which this up-to-date economist in 1922 faces the problem which was on the verge of upsetting the whole world.

> "The account given in the preceding paragraph," proceeds Mr. Henderson, "is incomplete and meagre. It is inserted here in the hope that it will impress the reader with a sense of the fact of these alternations and of the deeply-rooted nature of the causes from which they spring. They take a heavy toll of human happiness and wealth; and there is no object that more urgently calls for concerted human effort than that of mitigating them, and of alleviating the misery which they bring in their train. Still better, of eradicating them if that is possible; but let none suppose that it can be lightly done."

Interesting, but unimportant—except in the sphere of pious aspirations. Capitalist economists were not greatly concerned to understand or to explain crises, because they did not then appear to threaten the stability of capitalism as a whole. Actually, their periodical recurrence might be said to have served a useful purpose—to the capitalist, of course. They provided a periodical opportunity for readjustment within the structure of capitalism: they provided a periodical opportunity to check the rising demands of the workers, to discipline them, to prove to them that, however good times might be, they could not expect a continuous era of improvement in their own conditions.

Mr. Henderson proceeds:

> "Meanwhile, let us always remember that they form the atmosphere and medium in which the enduring tendencies of the business world must work themselves out. It is often convenient to speak of normal conditions in this trade or that; but hardly ever can it be truly said of a particular moment that conditions are normal. The normal is rather a mean level about which oscillations to and fro, round and about, are constantly taking place, but which itself is reached only by accident, if at all. Whenever we say that some new factor should in the long run lower the price of this or that commodity or service, the picture which these words should convey to our mind is one of the price rising less in times of boom, and falling more in times of depression than is the case with other things. And if ever our faith in some honoured law is shaken by the apparent ease with which, perhaps, in times of active trade, sellers are able to advance their prices to whatever figure (so it almost seems) they choose to name, let us rally our sense of economic rhythm and reserve our judgement until the trade cycle has run its course."

This it was that passed for economic science in orthodox circles before the "Great Depression" properly hit the world.

THE OPTIMISTIC ECONOMISTS

D. H. Robertson, Mr. Henderson's colleague, subscribes to a similar vague philosophy of optimism in his book in the same series on "Control of Industry." Under capitalism, says Mr. Robertson:

"A magnificent scope is offered to individual judgement and initiative and courage. Vested interests are hurled aside out of the path of economic progress. Within the wide limits allowed by the law and the stricter bounds set by social opportunity, each man is at liberty to spend both his life and his income as he chooses. Even in bad times the vast majority of the productive resources of society, both human and material, are being utilised, and the faith in which they have been launched into various channels of endeavour is found to have been not misplaced. And on the whole the wants of the consumers, so far as these wants can be expressed in the offer of a money price, are punctually and fairly abundantly supplied. When we reflect upon the chaos of the whole proceeding, the wonder surely is, as Dr. Johnson hinted in comparing the woman who writes books with the dog which stands on its hind legs, not that the thing should not be done better, but that it should be done at all."

But, since 1922, a lot of water has flowed under the bridge, although in 1930, it was still possible to find Prof. Brigden, in his "Escape to Prosperity," writing complacently of "Economic Muddle," with the comfortable feeling that, if the workers of Australia would only allow him and his fellow-economists to do their damnedest to the basic wage and other working class conditions, capitalism in Australia might be able to muddle its way out of the mess in which it had got itself.

"In Australia, to-day," wrote Mr. Brigden in 1930, "we are suffering a process of readjustment which is going on while we are talking about it. Unemployment is with us; the wage fund is reduced: profits are down to zero or below, and the standard of living actually being enjoyed is lower than it was. Political and other social action is diverting the natural course in various ways, some of it wisely, some not so wisely. But as with an 'Antarctic depression' in our weather, the economic depression must have its way."

But, now, Mr. Brigden, the time has come when the workers are making up their minds to deal scientifically with these "Antarctic depressions" in their social conditions, just as, given the financial support, scientists could probably elucidate the mysteries which govern the occurrences of "Antarctic depressions" in the weather.

Here, at least, is sufficient evidence to confirm the Australian workers in their determination never again to allow their economic fate to depend upon the advice and conclusions of these economic medicine men, these bogus scientists—these "economic politicians," as one of their own number, Mr. Gifford, who found himself in disagreement with them, has called them.

MEDICINE MEN OF CAPITALISM

Here, too, is evidence in support of the apparently astounding statement that these professed experts, who seek to sway the policy of a whole nation, know nothing whatever about the depressions which they seek to cure at all. Like any ordinary quack, they proceed by pure guess-work—only differing from the quacks in this, that they have a pretty shrewd idea of what their clients—in this case the people who employ them, not their patients—would like them to prescribe; and they dutifully prescribe it.

"The savage, it is true," says Strachey, on this aspect of the question, "has his experts, his medicine men, who by chant or howl, by sacrifice or incantation, attempt to cajole the destroying force. The capitalist world also has its experts, its economists. The phenomena of crisis lie, however, outside the scope of their science. This fact is not widely realised. Yet there will be no difficulty in citing the explicit admissions of the theoretical experts of capitalism, that their science offers no explanation of the existence of crises. They have evolved a science of economics which seems to explain the exact workings of the capitalist system, and (incidentally) justifies those workings in every respect. There is only one difficulty. The system periodically refuses to work.

"Their science shows conclusively how capitalism adapts itself, smoothly, automatically, perfectly to the ever-changing pull and push of demand and supply; how it maximises the 'net satisfactions' obtainable by the whole population in a way impossible under any other system; how it uses all the factors of production, and uses them all the time, to the best possible advantage, for obtaining maximum satisfaction for everybody. Capitalist economic science

establishes the impossibility of any interruptions of production, of any periods of dislocation or of waste—the impossibility, in a word, of crises."

Yet crises continue to occur until a point is reached where, as in the present crisis, capitalist economists and their system are likely to be swept right away —whether they believe it is possible, or whether they understand the process, or not.

As the economists have been compelled to admit, after they have worked out their theories of demand and supply—their theory of a system of checks and balances which must ultimately preserve equilibrium under the normal working of capitalism—there is an "unexplained residue" of facts which their science does not cover.

THE UNEXPLAINED RESIDUE

Professor Robbins, Professor of Economics in the London University, and one of the most persistent and penetrating of the students of this phenomen, puts the position exactly in his "Nature and Significance of Economic Science":

"The best example of the unexplained residue is provided by those fluctuations of trade which have come to be known as the trade cycle. *Pure equilibrium theory, as is well known does not provide any explanation of the phenomena of booms and slumps.* It explains the adjustment of the economic system to external change either on the demand side or on the supply side. It explains fluctuations which are in the nature of orderly adaptations. But it does not explain the existence within the economic system of tendencies conducive to disproportionate development. It does not explain discrepancies between total supply and total demand in the sense in which these terms are used in the celebrated law of markets. Yet unquestionably such discrepancies exist, and any attempt to interpret reality solely in terms of such a theory must necessarily leave a residue of phenomena not capable of being subsumed under its generalisations."

Is it to be wondered, then, that this particular authority, after his thorough investigation of the whole question in his book, "The Great Depression," should, upon such scientific grounds as he finds left to himself, adopt an attitude of unrelieved gloom. Writing in June 1934, at the conclusion of this particular work, he asks, "What, then are the prospects of enduring recovery?"

"It is clear," he replies, "that they are not bright. It is quite probable, if there is no immediate outbreak of war on a large scale, that the next few months may see a substantial revival of business. If the exchanges are stabilised and the competition in depreciation cease, there is a strong probability that the upward movement, which, began in the summer of 1932, will continue. If the stabilisation were made permanent and some progress were made with the removal of the grosser obstacles to trade, it is not out of the question that a boom would develop. There are many things which might upset this development. The basis of recovery in the United States is gravely jeopardised by the policy of the Government. The conditions under which the dollar has been stabilised may lead to an inflation there, or most severe difficulties, financial and political, in continental Europe. There is the danger of war and civil disturbance."

With such generalities does he confess the impotence of the science of which he is a professional exponent—at least honest in his admission of his own inadequacies. He continues, in similar vague speculative style:

"These dangers may not mature. It may be that the next two or three years (or even longer) may be years of comparative revival. But it is impossible to feel any confidence in a continuance of stability. In the fifty years before the war, in England, a man planning his life on the threshold of his career might look forward to a time of reasonable peace and security, conditioned no doubt in part by the luck which governs so much even in the most settled society, but determined also by the vigour and foresight with which he pursued his aims. To-day not even the most fortunate can have any such assurance. The probability of peace and progress in the next half-century is not very great.

We may not feel this at every moment any more than we feel at every moment that we shall not live for ever. But the rational grounds for believing the contrary are not strong."

A clearer confession of the bankruptcy of capitalism could scarcely be expected from a confessed believer in its virtues. Here is a capitalist economist who says, in effect: "I can offer you no reasonable grounds for hoping that the problems of the existing system can be solved under the existing system at all."

And, then, he goes on to add, in the concluding paragraph of his book, that there is "no reason to despair on the ground that reason is necessarily powerless."

An informed working class movement, with its eyes fixed firmly upon the progressive development of Socialism in Russia, can boldly assert, "No, there is no reason to despair on the ground that reason is necessarily powerless. Working class energy and initiative, based upon working class science and understanding, can solve these problems."

Here is the ground upon which the working class movement must rapidly equip itself to grasp the torch of civilisation, throughout the world, from the powerless, faltering hands from which it is dropping.

CAPITALIST ECONOMISTS BANKRUPT

For not only are the orthodox economists unable to bring any real light into the dark realm of capitalist depression, they are compelled to admit, when they follow the logic of their own theories, that their equilibrium theory, their theory of value as determined by supply and demand (the marginal utility theory as it was finally formulated by Dr. Alfred Marshall), provides them with no absolute standard of values at all. Without such an absolute standard of values it is impossible to say that one man's income is larger than another's; it is quite impossible to say that anyone is richer than anyone else. Values, it is admitted, are merely relative; it is impossible to add them up and produce a commensurable total.

"'There is no way of comparing the satisfactions' (that is, the real incomes) 'of different people',"** says Strachey, quoting Robbins. **"This is the final dictum of contemporary capitalist thought. The larger part of the population of the globe is denied an adequate supply of the necessities of life. Very many millions are permanently under-nourished. A few tens of thousands, on the other hand, command a supply of commodities, the range, variety, and costliness of which are quite unparallelled in human history. Is it possible to form a view as to which of these two groups of persons enjoy the greater satisfaction? It is utterly, absolutely impossible to do so, our theorists tell us, with noticeable emphasis. It would be sheer metaphysics to suppose that it was more satisfactory to be able to buy ten dinners than a quarter of a dinner. To come to any conclusion on this point would be to betray the scientific character of economic thought."

"Now," he continues, "there is little doubt that to compare the real incomes of different people in the modern world would be to betray something. We can guess this by the extraordinary emphasis with which we are forbidden to do so. But would the thing betrayed be the scientific integrity of economic thought? Is there not a possibility that it would be something of more immediate importance, to wit, our existing social order, which would be betrayed, if ever the admission was made that it was better to have a full belly than an empty one?"

Having abandoned any attempt to establish an objective theory of value, he concludes, the capitalist economists have emptied the baby out with the bath. In failing to establish any basis on which they can build any real conclusions, they have thrown away the right to establish any conclusions at all. Contemporary capitalist economics is, as he says, "an impotent, a gelded science, unable to form any opinions whatsoever upon the issues which chiefly concern us."

That some such development was taking place may be gathered by the recent manoeuvres of Mr. J. M. Keynes. From 1922 to 1936 this eminent liberal capitalist economist has passed through a remarkable and startling evo-

lution in his views. No longer satisfied that orthodox economics, as he suggested in his introduction to the "Cambridge Economic Handbooks" is a closed system, he has been honest enough to follow his own rather tortuous methods in the pursuit of truth. In an interesting essay, in a volume of "Memorials to Alfred Marshall," prepared by the disciples of this great orthodox economist, Keynes has admitted that, before his death in 1924, Marshall himself was uneasy. As time wore on it did not become any easier to maintain that hearty faith in the perfection of the system which had been possible for most of the capitalist economists of the latter part of the 19th century.

Keynes was one of those, as Strachey points out, who, finding that the front-door of pure equilibrium theory gave them no entry to a sound and useful explanation of the phenomenon of depression, proceeded to enter by the back-door of monetary theory, and professed, by taking up this aspect of the question as a kind of special theory, to elucidate a problem which they could not otherwise approach. Keynes was one of those who sought to track down the source of the basic error which, he was beginning to perceive, lay somewhere at the roots of the pure equilibrium theory, but which continued to elude him. In "A Treatise on Money," published in 1930, he sought a sound basis upon which he could ground a kind of compromise theory between the prevailing schools of deflationists and inflationists, and support a moderate theory of currency expansion. In February 1935, he informed the public, through an article in the American "New Republic," that it was impossible for him "to rest satisfied until I can put my finger on the flaw in the part of the orthodox reasoning that leads to conclusions that for various reasons seem to me to be unacceptable."

In 1936 Keynes produced his monumental "General Theory of Employment, Interest, and Money," which, although it is still rather academic and inconclusive, suggests the direction in which his thought is leading him. At least he is now able to reach one definite conclusion in the admission, contrary to the whole argument of the "Cambridge Economic Handbooks" already quoted, that ***"The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes."***

Moreover, in his introductory remarks, as an ex-disciple of Marshall, he disposes once and for all of the claim of the "classical theory" to have said the last word on the laws of capitalist dynamics. "I myself," he says, "held with conviction for many years the theories which I now attack, and I am not, I think, ignorant of their strong points."

"I have called this book," says Mr. Keynes, "the 'General Theory of Employment, Interest and Money,' placing the emphasis on the prefix general. The object of such a title is to contrast the character of my arguments and conclusions with those of the classical theory of the subject, upon which I was brought up and which dominates the economic thought, both practical and theoretical, of the governing and academic classes of this generation, as it has for a hundred years past. I shall argue that the postulates of the classical theory are applicable to a special case only and not to the general case, the situation which it assumes being a limiting point of the possible positions of equilibrium. Moreover, the characteristics of the special case assumed by the classical theory happen not to be those of the economic society in which we actually live, with the result that its teaching is misleading and disastrous if we attempt to apply it to the facts of experience."

The worker, for his part, can be satisfied with this evidence that the orthodox explanation of the workings of capitalism has broken down in theory as effectively as has the system itself broken down in practice. It is only necessary to dispose of the multifarious reformist ideas which have emerged into such prominence during the prolonged period of depression—to eliminate all the false trails, get rid of the false prophets, and expose their pretensions—to completely clear the way for the fundamental approach to working class understanding, which means nothing more than a return to the doctrines of Marx. In the domain of economic theory, as the depression has developed, the chief effect has been to confirm to the fullest the analysis and prophecy of Marx, made forty or fifty years ago, just as in the domain of real life, it is only the disciples of Marx, the present builders of the Soviet economy in Russia, who have avoided the pit-falls of depression, and have proved that Marxian theory is scientific theory because it works.

Chapter III.

IS THERE A SOLUTION UNDER CAPITALISM?

So far we have devoted ourselves to an account of the effects of the crisis upon the workers, with particular reference to Queensland, and the conditions with which we are most familiar, and to the inability of the orthodox economists to explain, or to remedy, the conditions created by what is tantamount to a break-down of the capitalist economic system.

It is unnecessary, at this stage, to produce figures to demonstrate that, despite all the efforts of governments of every kind and description, and all the advice of all the economists, orthodox and heterodox, the crisis still exists. In Queensland, for example, official figures claim that industry has recovered to the stage of 98.5 per cent of the degree of prosperity that existed in 1929—although it is admitted that there are still 21,530 unemployed workers on Relief work, averaging 2½ days per week, and an additional number of 9,879 drawing rations in centres where Relief work is not available. It is sufficient to recognise that in other States of Australia, and in other capitalist countries of the world, the position is relatively the same. Such measure of recovery as has occurred has not been sufficient to extend even the remotest hope of a complete return to such relative prosperity as existed either in 1929 or in the years before the War.

Yet there are still numerous panaceas abroad—some tried, some partially tried, some completely untried—which claim to provide a complete remedy, like some patent medicine, for all the ills of the social system, if only they are given a chance. "Hope," said the poet, "springs eternal in the human breast;" and until each and all of these panaceas are properly understood, until the class-conscious worker is in a position to refute their specious claims, they will continue to operate as a source of division, as a source of confusion, among the ranks of the workers, whose every effort is needed to meet the critical issues with which they are confronted.

Only when he is convinced, upon the basis of his own experience, or by arguments which are clear and conclusive, that there is no possible way out of his present misery under capitalism will the average worker be prepared to swing his weight, in class-conscious fashion, in the struggle against the system itself. Time is too short for the workers to wait until every conceivable device of the reformists can be tried out. Therefore it is necessary that an effort should be made to analyse the chief proposals which are made for the more efficient working of capitalism, under its present or some modified form, their theoretical and practical deficiencies exposed and the workers brought back to a realisation of the fact that, in the last analysis, the unity of labour is the only hope of the world.

Taking a comprehensive view, it is possible to divide the various capitalist proposals for the improved working of the present system under three main heads:

1. THE INFLATIONISTS, or "more money" enthusiasts, who believe that the increased distribution of purchasing power, either in the form of currency, national dividends, or credit, will eliminate unemployment and completely restore prosperity.

2. THE DEFLATIONISTS—the credit restrictionists and wage-cutters, who consider that the capitalist system has been on a sort of a monetary "jag," and that it must learn (and the workers in particular understand the effects of this) to "tighten up its belt," when the good times will more or less automatically return once again, and all will proceed as it did before.

3. Then there are THE REFLATIONISTS—the believers in a modified form of controlled inflation, who must be regarded as presenting a kind of compromise between the two other main schools of thought, rather than as a mere sub-section of class No. 1.

As against these must be placed the Communist and the Marxians generally who refuse to believe that there is any solution for the ills of capitalist depression under capitalism, and whose argument will be summarised in a later chapter.

"MORE MONEY" ENTHUSIASTS

In the first class of those who hope to make capitalism work better than it does at present, without vitally disturbing its elementary nature, must be considered the followers of Major Douglas, who are very energetic propa-

gandists; the plain currency cranks, who are completely insignificant; and the Australian Labour Party--in so far as it is committed to its policy of achieving national control of credit, with interest-free loans, etc., to be achieved by constitutional action while capitalism still reigns supreme in the land.

To the average man the present crisis presents itself as a prolonged and unwelcome shortage of purchasing power. The unemployed worker finds himself without wages, and compelled to exist upon an inadequate dole or Relief work pay; and the employed worker finds his wages reduced, his expenditure in relief and other taxes increased, while his cost of living has not gone down proportionally. Farmers, salary-earners, small businessmen, and even small investors in shares or government bonds who find the income on which they depend from these sources reduced, are in a similar position. To all of these people it appears as an elementary truth —scarcely requiring to be demonstrated—that, if only there were more money available, all would be well. Ill-informed, and for the most part, uncritical, they see only how much better off they would be as individuals, if only they had more money to spend; and they may even argue, unless they have lived in a country where they have seen unrestrained inflation in operation, that the contrary policy has been tried, without producing any noticeable improvement—so "Why not try the other method?"

So far as such a policy can be regarded as practical politics, it will be dealt with, in the light of experience as well as theory, when we come to deal with the reflationists. In any of its simpler and more extravagant forms, it should be sufficient to demonstrate, either that it is completely impracticable without producing a revolutionary challenge to the existing order, or that, if it were practicable, it would produce results diametrically opposed to those which its gullible supporters hope to obtain.

DELUSIONS OF DOUGLASISM

The most persistent of the unorthodox credit reformers is Major Douglas whose advocates are campaigning all over Australia, as well as in other parts of the British Empire, and have actually managed to secure the election of a Social Credit Government in Alberta, Canada, and have returned one or more members to Parliament in Tasmania and New Zealand, where they seek to influence the Labour Party along the lines of their panacea.

The gravest defect in the system of Douglasism is the complete inadequacy of its economic foundations. It is a superficial ,one-sided, topsy-turvy kind of a system, which hardly bares reasonable analysis. Starting from the commonly-recognised paradox of the existence of poverty in the midst of plenty, Major Douglas has constructed, in his famous A plus B theorem, an analysis which simply will not hold water. An inverted kind of Marxism, in which, instead of suggesting that the capitalist extracts surplus value from the worker by the process of capitalist exploitation, he claims that the capitalist fails to distribute, in the sum total of all the payments which he makes in relation to the production of a particular commodity, purchasing power equal to the amount which he collects, in relation to that same commodity, as its price, when he sells it.

The only way to refute the A plus B theorem is to assert that it simply is not true. It is as readily demonstrable in fact as it is in theory that every penny that is collected in the total price of a commodity when it is sold is immediately or ultimately paid to some individual or some institution, in whose hands it is available as purchasing power, to be spent as required. The trouble is that in a class society a small section of the community receives more than it requires to spend in consumption goods, and the vast majority far less than they require to spend in this way; but this does not alter the fact that the purchasing power is distributed, and is available to be spent or invested (i.e. spent in the purchase of production goods) just to the extent that the maladjustments of capitalist industry permit.

Major Douglas's suggestion that everyone should recover the purchasing power that he requires in the form of a national dividend would do nothing to disturb the existing inequalities in distribution, or to remove the maladjustments of capitalism; the only way in which it could affect these conditions would be by producing such a degree of inflation as would make money worthless. This would merely tend to produce chaos, and, unless the workers were organised and prepared to seize power by a revolutionary act, it would be followed by the establishment of a capitalist dictatorship, for the sake of restoring order upon strictly capitalist and Fascist lines.

An exactly similar criticism applies to the various schemes for the issuing of unlimited amounts of credit—either direct from the Treasury or by the National Bank. The experience of capitalism demonstrates that the only form of money which can provide any degree of stability in the exchange-relations is that which actually contains, or represents something that contains value. Marx stated the only sound capitalist rule for the issue of paper currency, in much clearer and more definite terms than most orthodox bankers and economists understand it, when he stated that "the issue of paper money must not exceed in amount the gold which would actually circulate if not replaced by symbols." In practice this condition is maintained by having a fixed percentage of gold to paper currency issued, and providing for the legal convertibility of paper into gold on demand.

It is clear, for example, under the circumstances where the issuing authority is compelled to hold £1 in gold sovereigns for every £4 in paper notes issued, that, in the event of an over-issue of paper money beyond the needs of circulation (as Marx would say, beyond what would circulate in gold), the paper money will depreciate in value, in relation to gold, and will tend to return to the issuing authority to be exchanged for gold. Since, for every £1 gold sovereign paid out in return for £1 paper note, three more £1 paper notes must be withdrawn from circulation, in order to conform to the legal gold basis, there is an immediate and an automatic check upon inflation.

On the other hand, where the gold basis for paper currency is definitely abandoned, it is obvious that there remains no limit to the amount of paper currency which can be issued other than the will of the issuing authority. But the more paper that is issued under these conditions, without any proper check as to the needs of the circulation, the more plentiful it becomes, the less its relative value, and the greater the apparent demand for more paper currency. This is the path of inflation, which, unless it is part of a working class revolutionary movement for the dispossession of the capitalists, must leave the workers worse off than they were before.

At the present time the gold standard has been abandoned in Australia, for, although a nominal reserve, in gold or sterling is held to meet the legal requirements with regard to the Commonwealth Note issue, the notes are not convertible into gold and there is no automatic check against an over-issue of currency. Under these conditions, there is no positive indication as to whether the currency is inflated or not, or to what extent. Such stability as is maintained in the purchasing power of the Commonwealth Notes is wholly dependent upon the policy, from time to time, of the Bank Board, in its control of the Note Issue department. (See Note Page 24.)

THE COMMONWEALTH BANK

With regard to the Australian Labour Party's policy for the nationalisation of the Commonwealth Bank the position is not quite so simple. That it is possible, under appropriate circumstances, to secure control of the national credit, and to use it for the benefit of the community as a whole, need not be denied. But, under capitalism it is impossible to give effect to this policy—except in the way and to the limited extent that is agreeable to the predominant capitalist interests, as these are concentrated in the hands of the leading banks and financial institutions.

Actually to attack private control of the credit mechanism is to attack the very citadel of capitalism itself. The Labour Party, by professing to be able to achieve this reform without the adoption of a revolutionary policy is misleading the workers. Nevertheless, as an objective it is sound, and all other currency and social credit proposals can be effectively discounted by the statement that the workers will take control of national credit into their own hands just as soon as they are ready to meet the capitalist class in the final struggle for predominance. All other proposals, having this objective in mind, can be dismissed as red herrings, drawing the workers away from the major issues of their day by day struggle, and are liable to prove dangerous by creating a situation which will prove favourable to the rise of Fascism.

THE REFLATIONISTS

Taking the reflationists next, as a matter of convenience, it is necessary to recognise that some of these are totally opposed to deflation: others regard reflation as a moderate measure of inflation, to be applied when a certain measure of deflation has been allowed to do the preliminary work of clearing away the disorder created by the crisis.

J. A. Hobson, whose "under-consumption" theory bears a superficial resemblance, on the one hand, to the theory of Major Douglas, and on the other to to the analysis of Marx, believes that enough money is distributed to purchase all the goods produced, if it were all spent: the producers as a whole (in which he must include all classes in the community) cannot purchase the total quantity of goods produced, because they do not spend all that they receive: they save some of it. Now, if the total money which is distributed at any time is only equal to the amount which is collected in the total prices of the commodities disposed of, and if some of this, instead of being immediately spent, is saved, Hobson argues that there will not be enough purchasing power available, at any particular time, to buy back the goods which have been produced. With more goods than buyers, there will be a tendency for prices to fall, until eventually they reach a point which is below their cost of production. Some producers, he argues, will then be driven bankrupt, and a disturbance leading to a crisis will occur.

Hobson, however, goes further than this in his analysis. He admits that the position is complicated by the existence of a surplus income which is not earned by its recipients. He recommends a rectification of this maldistribution by a progressive taxation of the rich, the money thus raised to be expended in welfare schemes for the poor. By this process, he holds, purchasing power will be made available where it is required, and a stable price-level will be created. In this particular aim, which is his chief contribution to the solution of the problem of capitalist crisis, Hobson has the support of the American economist Fisher, Gustav Cassel, and J. M. Keynes, although each of these approach the question of a stable price-level from a different stand-point.

The simplest form which this argument takes, as a method of solving the problems of capitalist crisis, is that given it by Prof. Fisher. If you want to keep the price-level stable, says Fisher, and so avoid crises, you must continually expand the amount of money in circulation to the same extent that the production of commodities increases. But, in the long run there is no particular difference between this policy and one of outright inflation. Whatever formula be adopted for determining the exact amount of paper money to be put into circulation in relation to a given quantity of goods, it is impossible to guarantee that the amount issued will not be in excess of what is required. Once this occurs, then prices rise, creating a demand for more currency, and the inflationary movement will be in full blast.

There is one further point which may be made in criticism of Prof. Fisher's particular theory. "Every rise of the price-level is a boom," says Prof. Fisher, "and every fall a depression." A stable price level, on the other hand, he maintains, produces permanent stability and prosperity. However, as Strachey points out, in the very book in which he enunciates this theory, Fisher has produced a graph which proves that, in America, where he is striving to have his theories adopted, from 1921 to 1929, during the greatest boom in history, which was followed by the greatest crash in history, the American price-level was virtually stable. So much for Prof. Fisher's claim that a stable price-level produces permanent stability and prosperity.

Yet, with the adoption of his scheme by President Roosevelt in 1933, Prof. Fisher was prepared to guarantee not only "recovery from the depression with a speed unmatched in any previous instance, but (assuming that reflation is to be followed by stabilisation) we may expect a new economic epoch characterised by freedom from great depressions, because the monetary unit will be deliberately held constant."

"The human mind," comments Strachey, "is assuredly more sanguine than rational. How else are we to account for the fact that not only Prof. Fisher but President Roosevelt and all his supporters, can suppose that though the stabilisation of the price-level in the nineteen-twenties resulted in the most disastrous crisis in history, a stabilisation of the price-level in the nineteen-thirties will result in 'a new economic epoch characterised by freedom from great depressions?' As Marx, in his irascible way, said of Destutt de Tracey — 'There you have bourgeois iodiocy in all its beatitude'."

POLICY OF CAPITALIST DEFLATION

With the prolongation of the crisis, and with the modification of the opinion of so many orthodox economists that has taken place in the meantime, there are few economists left who are prepared to defend themselves as out-and-out deflationists. The Australian economists claim to have steered the middle way, and no doubt they did so, as far as the banks would permit them. Actually it is the practical men to-day who are the real believers in, and

operators of the consistent deflationist policy—the Niemeyers, and other executive heads of the banking obligarchy. The place reserved for the official economists—the Brigdens and the Coplands—is that of sugar-coating the pill for the workers' delectation.

The Premiers' Plan was genuine deflation—with its budget restriction, wage-reduction, closing-down of the loan market, etc.—but it was presented by skilful economists and politicians as a necessary preliminary to the restoration of public borrowing. Put your house in order, and funds will again be made available to you, is exactly what deflation means, but this policy was put over in Australia with as much enthusiasm as if it meant turning loose unlimited quantities of credit for the benefit of the suffering class. Even to-day although defending the necessity of wagecuts, Professor Brigden refuses to admit that his policy was a deflationary one.

Under such circumstances it is pleasant to meet in Dr. Hayek, now Professor of Economic Science and Statistics in the University of London, and a protegee of Prof. Robbins, a capitalist economist who carries this policy to its logical conclusion, and rigorously attacks every suggestion that conditions can be improved by any extension of credit. Dr. Hayek, called from the Continent to the rescue of the helpless British economists in 1930, provided, in the lectures which have been incorporated in his "Prices and Production," a new basis upon which the British capitalist could proceed to cut drastically into his workers' conditions with a clear conscience, and a knowledge that he was only conforming to the latest pronouncement of the true economic law of capitalism.

Dr. Hayek believes that industrial crises are caused by exactly the opposite reasons to those indicated by the "under-consumptionists." He believes that too much money is distributed, too much credit is created, too much money is spent, and that not enough is saved. To him the real villain of the piece is the unfortunate banker, who, having applied the deflationary policy to the limit in the slump, is prepared to "make whoopee" and commence to make credit freely available as soon as conditions begin to improve. Dr. Hayek, apparently, would maintain a rigid policy of deflation all the time. Any attempt to "inject new credit into the system," for the sake of promoting recovery or a boom, he holds, can only produce disaster. Little wonder that Prof. Robbins has received little comfort from his latest protegee.

Summarised, Hayek's argument states that any recovery which is assisted by an increase in the circulation of money, as recoveries always are, must sooner or later result in a boom and then a crash. The only thing that is true, he contends, is that the higher you force the boom by means of continual injections of new money the more shattering will be the crash when you have to stop. As C. J. Dennis has written of the people with a tree-climbing habit in his satirical poem, "Glugs of Gosh,"

> "Why climb?" said he. "When you reach the top
> There's nowhere to go, and you have to stop,
> Unless you drop.
> And the higher you are the worse you flop."

CRISIS INEVITABLE

Like other economists, since they have been confronted with the present depression, Hayek finds the explanation of capitalist crises in the monetary and banking system. But he is far more profound and consistent in his facing up to this issue. His answer to the question as to why crises are apparently inevitable under capitalism would be that, because of the complications introduced by the necessity of using money and credit, they are and always must be. But, in saying that, he would not merely mean that crises were made inevitable by the fallibility of the human agents who work the system. He would mean rather that the existence of money and credit, of a medium of exchange, itself an indispensable feature of capitalism, introduces unavoidable instabilities into the system.

He himself believes that there is in pure theory a possibility of eliminating the disturbing influence of money. That possibility would be to keep the circulation of money of all kinds permanently fixed at a particular amount. But this objective could only be achieved if omniscient and omnipotent bankers were able to offset exactly all changes in the velocity of circulation and other elements in money-transactions by equal and opposite contractions and expansions of credit. If his attempt to restore pure theory to its place in economics Hayek has only succeeded in developing a system which is only applicable to an ideal world.

Yet there are certain practical consequences of Hayek's analysis that are of particular interest to the workers. Dr. Hayek, as Strachey has pointed out, would prevent the periodic collapse of the industrial system, but only by keeping it permanently on its back. But, at that, he is the most realist of contemporary capitalist economists. He sees that an extremely deflationary, anti-expansionist policy is necessary in order to prevent the rate of investment from rising above the rate of saving. He also realises, although he does not stress it so much, that the best way to do this is to keep wages down—to increase to the utmost possible extent existing inequalities in the distribution of wealth.

HAYEK AND MARX

But, as Strachey points out, this can only be done by allowing the accumulations of the rich to pile up in their hands. Hayek's positive policy for recovery is a restoration of the rate of profit. In order to affect that object he makes the straightforward recommendation of cutting down wages and social services. ***Admitting at last the truth which Marx and the Marxians have been hammering away at for years, Hayek reaches the perfectly logical conclusion that the only way to attempt to preserve capitalism is to protect the declining rate of profit; the only logical result of this, as the Marxian analysis also demonstrated, is an increasing accumulation at one end of the social scale, with the increasing misery of the workers at the other.***

There is a further consequence which emerges from Hayek's fairly exhaustive analysis. While he proceeds direct to the root of the matter and demonstrates that the chief purpose of any recovery policy must be the restoration of the rate of profit, all the other economists, orthodox and otherwise, who have promised to produce recovery by their particular policies, have been pursuing, in a very indirect and roundabout way, the same objective.

Inflationists and deflationists both aim at the same thing; and ultimately their methods turn out to be nothing but two different ways of approaching the same objective. They both work on the assumption that the only way to restore the rate of profit is to cut down the purchasing power of individual consumers. Their sole difference is that Hayek proposes to do this by cutting wages and social services, while the inflationists propose to do it by raising prices. The transition may seem difficult, but a little thought will show that, if prices remain the same, and wages are reduced, the margin between the two, which goes to profit, will be increased; conversely, if prices are raised by an inflationary policy, and wages rise, as they eventually will do, but more slowly, the profit-margin will increase in exactly the same way. All the capitalist economists, orthodox and heterodox, wish to cut down the individual consumers' purchasing power—because only so can they restore the rate of profit.

The main lesson to be drawn from this latest exposition of what is correct capitalist policy is that capitalism can only be made to work, if at all, in accordance with the laws of its own motive-power—the production of profit. Any attempt to make it do otherwise can only end in disaster. So far, it can be said, the Marxian analysis is in agreement with the conclusions of Hayek; but Marx has gone further and perceived the impossibility of capitalism perpetuating itself whatever policy may be adopted. That is why he urged the workers to resist such policies with all their power and to avoid being side-tracked by false friends whose track leads ultimately in the same direction as that of the enemy. At least it is with no delusory promises of easy recovery for their benefit that Hayek will lead the workers astray. His economics are perfectly fitted to the slave-camps of the Fascists.

(Note to Page 20)

FUNDAMENTAL STATEMENT ON GOLD AND PAPER MONEY

Fully developed capitalist society must have gold, or some other single commodity at least equally adapted, as a universal equivalent.

Without a socially recognised equivalent for every other commodity, the commodity-producing society cannot live for a day. The selection of thousands of years has fallen on gold as the standard commodity, and this form of society stands or falls on this foundation.

The issue of paper currency, as a substitute for gold, is limited by the simple principle that the amount of paper money must not exceed in amount the gold which would actually circulate if not replaced by paper.

In practice the only way to maintain this principle is by the preservation

of an effective gold standard—a fixed percentage of gold to notes, and free convertibility of notes into gold.

This is the economic law governing the issue of paper currency: when this principle is departed from, in any way, the result is bound to be inflation.

The fundamental difference between paper money and gold may be summarised as follows:

"Paper money is only of value in circulation, where it performs the social function of facilitating the exchange of commodities. Once put into circulation, the paper must stay there, because the sum of such money, however large or small it might be, is always equal to the total price of the commodities it confronts, and is therefore needed in circulation. Take away from paper the function of medium of circulation, and it becoms utterly worthless stuff.

"Gold, on the other hand, is itself value, therefore available as a measure of value.

"It encounters the commodity as an equivalent.

"If the need of the circulating medium is lessened, gold departs from the circulation to take the commodity form or to retire into bank vaults, or anywhere else, as a hoard or store of value, ever ready to act as the world's recognised universal equivalent.

"In doing so, its own value and that of the commodity remain entirely undisturbed; on the other hand, a deficiency of gold relative to the increased value of the commodities in circulation may be filled, within certain limits, by tokens symbolising gold, as already stated. GOLD CIRCULATES BECAUSE IT HAS VALUE: PAPER HAS VALUE BECAUSE IT CIRCULATES.

"The value of commodities given, the quantity of gold in circulation depends upon its value: the value of paper in circulation on its quantity. The price of commodities changing, the quantity of gold in circulation changes; the changing quantity of paper effects a change in the price of commodities. THE CIRCULATION OF COMMODITIES CAN ABSORB ONLY A DEFINITE QUANTITY OF GOLD, BUT ANY QUANTITY OF PAPER."
—Herman Cahn, "Capital To-day."

Chapter IV.

THE MARXIAN SOLUTION AS THE WORKERS' WAY OUT

"As a result of the work of Marx, Engels and the men who have built upon the foundations which they laid down there now exists a body of ascertained fact, of repeatedly tested deduction, and above all, perhaps, a methodology which is known to be fruitful in the field of social science. Never again need men fumble hopelessly with the problems presented by the need for social change. It is the immortal glory of Marx and Engels to have discovered and proclaimed both the basic features of that social system which can take the place of capitalism and the basic methods by which that new system can be established. This science is indispensable. We shall not avoid such errors as those into which Owen on the one hand, and the Chartists on the other, so disastrously fell unless we make use of it.

"The experience of the last half-century has conclusively shown that the ever-recurrent working-class movement of resistance to capitalism must remain sporadic and inchoate; must fail to achieve its ends, or even to become clearly conscious of what those ends are, if it does not use these discoveries. Wherever and whenever working class movements have failed to learn and to use them, futility and failure have been their harvest. It has been proved to demonstration that success can only be achieved by a working class movement which is permeated with a realisation of its own position in capitalist society, and which can develop out of itself a party which can in turn use the all-important discoveries of Marx, Engels, and their successors as to how capitalism may be abolished and socialism established."

"The science of social change, by revealing the determinate curve of capitalist development, on a world scale and over the centuries, gives us an assurance that in the end Socialism will be established throughout the globe. For the only alternative to Socialism now before the human race is a decline into a new epoch of barbarism, involving

the physical destruction of by far the larger part of the population of such advanced, highly-integrated, capitalist civilisations as those of Britain and America. And the British and American people will not allow their own immolation without ever-growing, and in the end successful resistance. Thus it is true that the stars in their courses fight for Socialism. But we cannot rely upon the stars. It may be that if, confident in our own predictions of inevitability, we did nothing, new generations would arise to accomplish our neglected work. In the long run, it may be, no negligence could prevent the coming of Socialism. But, as a liberal savant has truly remarked, the one thing certain about the long run is that in the long run we shall all be dead. Hence the starry inevitability of the coming of a Socialist civilisation is no possible reason for inaction on our part. For only by the most determined action shall we achieve Socialism in time to save our lives."

In the above two passages from his latest book, "The Theory and Practice of Socialism," John Strachey has pungently summed up the position of the Marxian economic and political system in relation to the present position of the working class struggle. He has also shown why it is necessary here and now, for class-conscious workers to equip themselves with a knowledge of this system so that they may effectively play their part in the bitter struggle which is now proceeding.

It only remains for us now, in this pamphlet —designed as it is to form an effective introduction to the systematic undertaking of this casual work— to explain how it is that the Marxian system comes to provide a clear understanding of phenomena of industrial crisis, and of the general dynamics of capitalism as a whole, which all the other economists—orthodox and unorthodox —appear to have missed.

"Most people," said G. K. Chesterton once, in the introduction to a book on George Bernard Shaw, "will tell you either that they do not understand Shaw, or that they agree with him. I am the only person who understands Shaw, and I disagree with him."

"Most economists will tell you," so might Marx have written—parodying or anticipating G. K. Chesterton—"will tell you either that they do not understand capitalism, or that they agree with it. I am the only economist who understands capitalism," he might have added, "and I agree with it."

MARX'S ECONOMIC ANALYSIS

This is not the kind of assertion that Marx, humbly approaching the phenomen of capitalism as a student, would ever have made. It is none the less true. The apparent contradiction which appears in the fact that those who desire to buttress up capitalism do not seek to understand the laws of its being, while the one outstanding economist who made that understanding his life-work perceived the inherent flaws in the whole magnificent structure —this vital and peculiar contradiction is due entirely to the fact that those who desired to perpetuate the system could not face the fact that it contained within itself the seeds of its own destruction.

Marx was not the first to perceive the inherent defects in the system of capitalism; nor was he the first to perceive its fundamentally anti-social character. He was, however, the first to carry the analysis of these features of capitalism to their logical conclusion, to work out the contradictory laws of its own being which must bring it eventually to decline and disintegration. It was Marx's great virtue that, holding fast to realities, he saw in human labour the basic element on which the triumphs of capitalism must be built; and he saw in human labour the sole constructive force which could save civilisation when the decline of capitalism should threaten the whole world with decay and disintegration.

While other economists got completely off the track, contented themselves with the study of the mere superficial phenomena of the market, refused to penetrate the underlying motive of capitalism's advance which led it inevitably towards disaster, Marx remained the pure scientist, gathering all the available facts, considering all the theories, formulating his exhaustive hypotheses, explaining the dynamic principles of the system, and developing a policy of action to meet every eventuality as it should arise.

"Marx," says Maurice Dobb, in his little "Introduction to Economics," in which, for the first time in English, Marxian economics is placed in its true historical perspective, "did not start from the con-

cent of natural order underlying the capitalist system; for him capitalism did not constitute the final term of economic progress, but was historically relative and transitional. Hence he was biased by no desire to identify market prices with real cost. Labour in an objective sense —the expenditure of human energy of muscle or nerve—constituted value, that is the social valuation to be placed on the commodities which were the fruit of this labour."

Marx's analysis begins and ends with the consideration of the place of human labour in the industrial system. Perceiving that it was human labour-power that gave the commodity—characteristic product of capitalism—its value, that provided the surplus value, the creation of which was the motive-power of capitalism, Marx foresaw that, when the laws of capitalism made it no longer possible for this motive-power to drive the system on, it was from labour-power—but this in the active, rather than in the passive sense—that the impulse must come for the creation of a new social system.

Evolutionary in his outlook, Marx was the Charles Darwin of social science. But, whereas Darwin was able to overcome, after a slight tussle, the obstructionism of a minor vested interest, the Church, to the establishment of the truths which he revealed, Marx found himself opposed by the central and predominant vested interest which controlled the whole system, and, for over two generations, his vital contribution to the understanding of the social system was rejected, boycotted and vilified by all the agencies of capitalist suppression.

It has taken the success of the Marxian-Leninist Communist Party, in successfully building Socialism in Russia, in accordance with the doctrines already laid down by Marx, to convince even a section of the working class movement —let alone the rest of the world—that Marxism might be practical politics. It has taken the disaster of a prolonged and unexampled depression, spreading into every corner of the capitalist world, to awaken even a few of the capitalist economists to the inadequacies of their own theorisings: and even now, they prefer to ignore Marx, to evade the central issue of exploitation, and to build bricks without straw, rather than to face the realities, and to take advantage of Marx's monumental masterpiece—his fundamental analysis of the laws of capitalist economics.

CAPITALIST APOLOGETICS

Capitalist economics are now exposed to the world as what Marx and the Marxians always perceived they were, the mere apologetics of the capitalist class striving to keep itself firmly established on the back of the working-class, meanwhile whistling loudly, as it were, to keep its spirits up, in case the working class should wake up and throw it off. While the bulk of the capitalist economists have now revealed their own inadequacy, their own impotence, the one amongst them, Dr. Hayek, who has dared to face realities, has managed, by his own independent methods, to reach conclusions which confirm those established by Marx years ago.

Hayek, to put it bluntly, has given the show away. By pursuing his logical analysis of the workings of capitalism relentlessly to the end, he has exposed the whole myth of continuous prosperity under capitalism; he has shown the tendency of capitalism is to choke itself until it reaches a condition of perpetual stagnation; and he has shown that the only way by which this condition may be averted, even for a period, is by more and more intense exploitation of the masses, in the creation of more and more wealth, in which they can never hope to share; he has shown that this involves, although he has not stated this explicitly, the severe degradation of working class standards, the rigid suppression of the working class as a whole. He has provided, whether he has sought to do so or not, a theoretical basis for the operation of Fascism, and has shown, however unwillingly that it is only in Fascism that capitalism can now find its logical culmination.

MARX AND THE FALLING RATE OF PROFIT

By this explicit recognition of the truth of Marx's contention that there exists in capitalism a tendency for the general rate of profit to fall, Hayek has removed the last important barrier to the recognition of the general truths of the Marxian analysis. For, whereas the Marxian analysis supplies,

from the very outset, the basis upon which alone this phenomen is comprehensible or explicable, Hayek still prefers to leave it unexplained, as one of those mysterious factors in the social order which must be accepted even if they cannot be explained.

Marx, to put it briefly, on the basis of his labour theory of value, which all orthodox economists have rejected for the last hundred years, arrived at a scientific theory of exploitation, leading to a continuous process of accumulation, such as has now been worked out by Hayek.

Marx discovered the tendency of the falling rate of profit, and he analysed in detail—in such detail that, compared with Marx, Hayek may be said to have merely scratched the surface—the processes of maladjustment in the working of the system which were bound to produce periodical crises: these crises, he considered, owing to the complications of money and credit, in addition to the fundamental contradiction which he saw in capitalism itself, were bound to become more and more severe. Marx carried his analysis to its logical conclusion: if pursuit of profit produced such contradictions in the industrial system that the system responsible for all the tremendous advances of the nineteenth century would no longer be able to function, then he considered that it must advance and transform itself into a system which would work.

MARX'S CONCLUSIONS

Put simply, Marx's conclusion was this: as the processes of production become increasingly social, it will become necessary that the control of these processes shall be social.

"Capitalism," wrote Marx, "comes to a standstill, at a point determined by the production and realisation of profit, not by the satisfaction of social needs."

This is the simple fact which everyone who now bemoans the paradox of the existence of poverty in a world which is producing more than it can consume has now begun to recognise. But, until the transition could be made from capitalism to Socialism, Marx could give no better advice than can the capitalist economists of to-day as to how these contradictions of capitalism could be cured. Marx did not believe that these contradictions could be cured—and he wrote in the hey-day of a progressive and steadily advancing capitalism; but he did make an exhaustive analysis of the reasons why they cannot be cured; and that is more than anyone else has done so far—although the fact, after the past ten years, must surely stare them in the face.

Marx was able, upon the basis of his fundamental analysis of the whole system, to perceive all the possible devices to which capitalists have since been driven in their efforts to escape from the trough of industrial depression whenever they found themselves there. His understanding of capitalism was so exhaustive and practical that he perceived that what was required to promote recovery was a restoration of the rate of profit, and he believed that the essential agencies for restoring the rate of profit and so creating a revival were (a) reduction in wages, and (b) depreciation of the value of constant capital (i.e. the money invested in plant, machinery). Marx also believed that it was possible for the capitalists to solve particular crises if they could apply these remedies, and also the 'external remedy of the export of capital to undeveloped areas, thus relieving the congestion at home. But Marx also perceived that no permanent solution of capitalism's inherent contradictions could be achieved by these means, and that, whatever methods were adopted to promote recovery, this could only be followed by further collapse; therefore he advised the workers to steadfastly refuse to cooperate with the capitalists in promoting such recovery.

MARXIAN VIEW OF THE CRISIS

Summing up the Marxian view of the crisis, we have this: a crisis manifests itself (a) in a glut of capital, or, as Marx calls it, "an over-production of the means of production;" (b) in mass unemployment, and (c) in the stagnation of production. A crisis is overcome, in essence, by the effect on wages and on capital values of these very things. The glut of capital actually destroys some capital, and slaughters the values of all the rest of it. The glut of available labour drives down wages. The stagnation of production allows of the gradual sale of the "over-produced" commodities. Thus, in time, and at the cost of colossal waste both of capital and of human beings, the rate of profit is restored. Hence a recovery becomes possible. It is once

more possible to employ all the capital of all the capitalists at an adequate rate of profit. For the rate of surplus value has been screwed up by the fall in wages and at the same time there is now less constant capital left to employ. This completes Marx's description of the phases of the cycle of capitalist production.

But, as Marx saw, the conditions which would make recovery possible would make the recurrence of crisis inevitable. For the very wage reductions (or the price increases) which make recovery possible, again render it impossible for the capitalists to sell all their commodities.

"Capitalist production," wrote Marx, "is continually engaged in the attempt to overcome these imminent barriers, but it overcomes them only by means which again place the same barriers in its way in a more formidable size." The barriers not only reappear, but reappear on a more formidable scale. For the market has been narrowed. The base upon which the whole towering structure of production rests has been contracted.

It has been left for Hayek and his disciple Robbins to bring the possibilities of this argument to their reductio ad absurdum.

"This conclusion," says Strachey, with reference to the above passage, "strongly reminds us of Dr. Hayek's argument. For this, we recollect was Dr. Hayek's own description of the situation. His solution for every crisis is to narrow, relatively, the base of his triangle representing the structure of production, by heightening the apex. In his language, production must become more 'capitalistic' more 'roundabout.' More resources must be used at the higher end of the structure, more men must be employed in making machines to make machines, so that the total production of consumable goods will remain constant, and the entire increase of society's productive power be devoted to increasing further society's productive power. The structure of production must get longer and longer. The sides of the Hayekian triangle must be produced and produced.

"This, then, is the Hayek-Robbins solution of the dilemma. It is possible, they imply, for all the conditions which are necessary to the existence of capitalism to be fulfilled simultaneously. It is possible for wages to be kept down to 'economic levels' and yet for there to be no glut of consumers' commodities. For, if the demand for consumers' commodities is thus minimised, no excess of productive power will be produced. The entire increase of society's productive power will be devoted to increasing the production of producers' goods. And, if this is done, then there will be no need to increase the ultimate market. The entire increase in the supply of commodities will be an increase in producers' commodities, which can be absorbed within the structure of production. For that structure will be getting longer and longer. Hence there will be no need for any increased supply of actual consumers' commodities ever to emerge from the productive process. Industry can take in its own washing on an ever more gigantic scale, and for ever. The overwhelming majority of mankind can continue to live on a subsistence level in perpetuity and our ever-growing powers of production can be permanently absorbed by the task of producing new means of production. Thus there need be no crisis. Capitalism need never feel the lack of a larger market for consumers' goods. The market for which capitalism will produce will be within itself. It will be within its own ever-lengthening structure of production."

To assert that such a set of conditions is inconceivable except upon the basis of the complete subjugation of the workers and the suppression of the working class movement is beside the point. Already in Italy and Germany the Fascist regime has set up a political system corresponding to what is required for the carrying out of the Hayekian ideal. Just as Hayek's analysis is the best alternative to Marxian economics that capitalist economics can produce, so must Fascism appear as the one inescapable alternative to working class action for the realisation of Socialism along the lines laid down by Marx.

THE DILEMMA OF CAPITALISM

To this extent the analysis of Hayek can be held to confirm that of Marx; both agree that, in accordance with the laws of its own being, capitalism must reach a condition of stalemate and stagnation. But to Hayek it is perfectly conceivable that the workers should continue to tolerate such a condition of affairs, and the continuous suppression and degradation necessary to maintain it: therefore his analysis points to Fascism. To Marx it is perfectly inconceivable that the workers should tolerate it: therefore his analysis indicates to the working class the duty which devolves upon them of preventing

the establishment of such a set of conditions; he points the workers directly to the path of Socialism.

The final conclusions of the Marxian analysis are clear and simple enough. "The barriers to capitalist production consist, in the last analysis," says Strachey, "in the fact that capitalism is a system which works only for the production of profit: which works, that is to say, for the production of increments of new capital to be added to the existing mass of capital, and that it can only produce commodities if and when their production will have this effect. But capitalism, because it is both nationally and internationally competitive, must also continually develop the productive power of society. For a period these means, viz. the development of the community's power of production, are consonant with this aim, viz. the maximisation of profit. But there must come a time (and to-day we must write there has come a time) when the further development of society's productive powers ceases to maximise profits, and begins, on the contrary, to diminish them. This can mean nothing but that capitalism has outlived its function. The cunning device by which the formidable force of private aggrandisement was harnessed to the social purpose of industrialising the world has broken down. The private interest of the capitalists in maximising their profits no longer pulls in the same direction as the public interest of developing society's means of production. They begin to pull in opposite directions. It is at this point that capitalism becomes, and must become, 'disloyal to its mission'."

Marx summed up the position in this way:

> **"The real barrier of capitalist production is capital itself. It is the fact that capital and its self-expansion appear as the starting and closing point, as the motive and aim of production; that production is merely production for capital, and not vice versa the means of production, mere means for an ever-expanding system of the life process for the benefit of the society of producers. The barriers, within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperisation of the great mass of producers can alone move, these barriers come continually in collision with the methods of production, which capital must employ for its purpose, and which steer straight toward an unrestricted extension of production, toward production for its own self, toward an unconditional development of the productive forces of society. The means, this unconditional development of the productive forces of society, comes continually into conflict with the limited end, the self-expansion of the existing capital."**

As between Hayek and Marx the logic of the position is inescapable. Capitalism must either collapse into a continuous condition of stagnation, or it must, by the informed and concerted action of the working class, be transformed into a system of Socialism. Stagnation means eventually collapse, the end of initiative and a sinking into barbarism; the transformation, along Marxian lines, into Socialism means the laying of the foundations of Communism. Therefore it is true, as Strachey states, that there are only two alternatives which face the workers to-day—barbarism or communism; and it rests entirely with the working class what the future shall be.

FASCISM VERSUS COMMUNISM

The workers of Australia, in common with the workers of the rest of the capitalist world can see clearly before their eyes to-day what these alternatives mean.

They see, on the one hand, the iron heel of Fascism, sitting heavily upon the workers of Italy, Germany, and Central Europe—and struggling against the courageous masses in Spain, who, having once felt its initial force, will die rather than face it again. They see the degradation of every working class standard, destitution, heavy hard-driven ill-paid labour, the methods of the slave-driver, the horrors of the "Brown Terror"—prison camps, forced labour camps, working class persecution—the application of military discipline throughout the sphere of industry, the regimentation of men, women and children under conditions where individuality is lost, so that the whole mighty Fascist State may turn itself into an aggressive awe-inspiring war-machine.

They see, under Fascism, unionism destroyed, free speech overthrown, political discussion suppressed, the wiping out of the independent working class press, and the workers afraid almost to think in disloyalty to the State-controlled press, the loud-voiced braying of the official wireless in home and street—forbidden, even, to listen to broadcasts from beyond their frontiers which may bring them a message of hope. They see the few victims who escape, many with their spirits completely broken by what they have seen and experienced: others buoyed up only with the certainty that even desperation cannot endure for ever, and that some day they can help, from outside, to release their comrades from the prison which their very home has become.

Fascism, my comrades, is no joke. Nor is it a mere bogey with which to frighten children. It is a hideous reality over large areas of Europe—with that fearful realism of a nightmare—to those class-conscious comrades compelled to drag out their existence under its regime.

On the other side they see—the world sees and even the most critical are reluctantly compelled to admire—they see in Workers' Russia the rich promise of working class rule. They see the workers there supreme. They see the workers building—and building solely for themselves.

Soviet Russia is the only country in the world which has not suffered from the industrial crisis. Soviet Russia knows not the horror of unemployment, insecurity, hopeless starvation, poverty and ruin.

While the rest of the world has been drifting around in the trough of industrial decline—trade stagnant, factories closed, wages cut, workers on and off the dole—Russia has been steadily advancing under the impetus of the two five-year plans. Russian trade and industry are continually expanding, more and more factories opening, wages and living standards rising, hours reduced to below an average of 40 hours a week, and social conditions steadily improved—housing, health, recreation, culture: the workers building steadily for themselves, under a nation-wide, worker-controlled plan of social construction, building Socialism successfully in defiance of the scoffs, and at times, the sinister interference, of the outside world.

These, then, are the alternatives which the workers see to-day.

Capitalism, there can be no doubt, has broken down. Even the honest capitalist economists admit it.

Breaking down it can degenerate into nothing but Fascism—as it has in those parts of Europe where the workers were caught napping, were insufficiently prepared.

Fascism can stay its decline only for a period. Fascism, the last stage of degenerate capitalism, is itself fundamentally unstable. Unable to sustain itself, it can only live on what it can exact from beyond its own borders—as Hitler and Mussolini to-day strive to instil fresh energy into their weakened states by campaigns of conquest. Nor can either their conquests sustain them or themselves sustain the burden of conquest.

Fascism means internal decay. It also means war.

WORKERS CHOOSE SOCIALISM

Under such circumstances there can be only one choice for the worker. The achievement of Socialism by the workers to-day is not merely a dream—an utopian ideal to be contemplated in quiet moments; it is a necessity, the only means by which the workers can hope to avoid unspeakable degradation—a veritable struggle for existence, for life, for decency, for whatever makes life worth while.

The fuller development of the laws of capitalism which produce crises, and present to the workers Fascism as the only immediate alternative if they fail to take action to establish Socialism, and the tendencies to-day which threaten a fresh outbreak of war, will form the subject of lecture courses to be issued during the year.

In the meantime, if this pamphlet has performed its function, it will have quickened the workers who read it into a livelier activity in support of the organisations set up to fight against Fascism, and to organise the workers in their struggle for the maintenance of peace.

Build the united front of the workers against war and against Fascism. Build the united front of all workers on the job and off the job, in the struggle for improved conditions, and against the twin evils of capitalism—Fascism and War—which threaten the conditions and the existence of the workers, and which can only be averted by united working class action.

Again, let it be said, the unity of Labour is the only hope of the world.

Chapter V.

EDUCATION AND THE WORKING CLASS MOVEMENT

"The true alternative which faces us, however, is not of continuing in our present conditions, or achieving much superior ones. The truth is that we must attain security and plenty or suffer the rapid growth of every form of that fear and destitution which already ruin the lives of so many of us. For the existing evils of our society are the result of certain features of the capitalist system which cannot be eradicated, but which must, on the contrary, grow more and more pronounced. Moreover, it is in the nature of capitalism to produce, not only unnecessary poverty and insecurity, but also certain other and far more rapidly dangerous consequences. It is of the nature of capitalism to produce civil conflict and international war. Communists and Socialists propose, then, that we should rid ourselves of capitalism, not merely because it denies us a now plainly attainable plenty and security, but more especially because it is now visibly about to destroy us in the social and international violence which it generates."

—John Strachey, "The Theory and Practice of Socialism."

"An important object of this book has been to show that a knowledge of the science of social change is indispensable to those who wish to work for the abolition of capitalism and the establishment of socialism. But these pages have striven to recognise the essential paradox at the heart of things, to acknowledge the dialectical converse of every proposition under discussion. Thus, for the accomplishment of social change, knowledge is indispensable, but not enough. It is by the courageous, persistent *action* of those who know, that the world can be remade. By wisdom and courage, by patience and audacity, or not at all, we shall conquer."

—John Strachey, "The Theory and Practice of Socialism."

"When Labour strikes, it says to its master: I shall no longer work at your command. When it votes for a party of its own, it says: I shall no longer vote at your command. When it creates its own classes and colleges, it says: I shall no longer think at your command. Labour's challenge to education is the most fundamental of the three."
—Henry de Man.

The theme of the present pamphlet, reinforced by the three preceding quotations, as a foundation to the problem of working class education, should now be clear. Only when it is based upon a sound theoretical knowledge of the Marxian analysis of capitalism, with the practical and theoretical developments which have been added to this system by the work and writings of Lenin and Stalin, can the organisation of the working class prove effective. Such a course of study will encompass the developed knowledge and the accumulated experience of the most profound social thinkers of the past hundred years—thinkers who, though their approach was from the viewpoint of the workers, must rate with the greatest thinkers of all ages, of all classes, and of all social orders known to man. To them has it been given to show the way, and the only way that has been devised, by which the most highly developed civilisation which the world has known can be saved from self-destruction.

TRAINING IN SOCIAL THINKING

But the system of Marx and Lenin is more than a body of knowledge; it is a whole training in social thinking itself. It is a method of approach to the problems of the present and the future, as much as it is an interpretation of the developments of the past.

From this point of view it must be emphasised—and particularly in a pamphlet which has had to concern itself more with conclusions than with

the basis upon which these have been established—that the mere dissemination of these conclusions, and of agitational propaganda in support of the policies based upon them, is not enough. Upon an inadequate foundation only a weak super-structure can be built: only by a widespread dissemination of the basic principles of Marx and Lenin—a training in their whole system as widespread as the necessities of the present struggle will permit—can the movement of the masses, and its leaders as well, be prevented from falling into grievous error.

It was Engels, Marx's great collaborator, who wrote:

"This neglect of great fundamental considerations for the sake of the momentary interests of the day, this chase after momentary successes, and this race after them without account of the ultimate results, this sacrifice of the future movement for the present, is, perhaps, the result of 'honest' motives, but is and remains, none the less, Opportunism, and 'honest' Opportunism, is, perhaps, more dangerous than any other."

Such opportunism is traceable immediately to a fundamental lack of understanding, to an inadequate training in the application of the Marxian method to the questions of the day. It is such opportunism, and the desire to obtain, at any price, immediate, practical results, which more than anything else, produces division in the ranks of the working class; these easy "short-cuts" devised by opportunist leaders, however honest, practical policies which promise much, but which cannot stand up to the test of fundamental theory, must always bring the ranks of the workers towards disaster.

A KNOWLEDGE OF ECONOMIC PRINCIPLES

As Strachey has said, in "The Nature of Capitalist Crisis," "It is indeed a characteristic tragedy of our time that everywhere millions of well-intentioned men and women are bereft of any but the most superficial intellectual discipline or tradition. As an inevitable consequence they spend their energies, and often give their lives, in the attempt to achieve what is inherently impossible. The results of their efforts are very different from what they expect. Sometimes their actions merely cancel themselves out, being self-contradictory. More often it is the inexpressibly tragic fate of these millions to become the dupes of men whose vision is clear, but whose aims are totally at variance with their own. To serve thus as the blind drudges of talented adventurers, who themselves are but the agents of the present ruling groups, is the fate which almost always overtakes those who fail to achieve an understanding of the nature of the contemporary world situation. Moreover, this fate is shared, although in less dramatic form, by those who retain the illusion of the possibility of reforming and replanning capitalism along the lines of democratic reform or parliamentary socialism. Though they do not pull the triumphal car of a Hitler or a Mussolini, they serve to drag into place and power the more soberly decorated vehicle of a MacDonald or a Roosevelt, or perhaps, in the future, of a Morrison. The masses who are held captive by the illusions fostered by parliamentary socialism or democratic reform are made to serve, that is to say, the same end as do the masses deluded by the blare and blast of Fascism. They are both induced to hoist upon their backs political leaders who cooperate with (and in the last analysis always obey), each in their different ways our real and unchanging rulers. These rulers compose the now comparatively small group of men and women who own the essential controlling blocks of the total capital of each national community.

"A knowledge of the economic principles to which these pages have endeavoured to form some contribution can alone enable thinking men and women to escape from this humiliating disaster. Or, rather, such theoretical comprehension can alone enable them to escape from this fate without paying the frightful price of learning by experience. This is the price now being paid by the German people. There is already certain assurance that their bloody experience will enable them to find the only way out of their present agonies, namely, the expropriation of the

German capitalist and landlord classes and the organisation of planned production for use by a German workers' dictatorship. It is the function of theory, however, to minimise, at any rate, this well nigh intolerable price of experience.

"These considerations enable us to reaffirm the claims that it is precisely to-day, in our time of violence and confusion, that a mastery of theory becomes, it is not too much to say,a matter of life and death for all of us. Economic theory in the deepest sense is an attempt to comprehend the nature of the existing economic system, and so indirectly to comprehend all that is built upon that system. In periods of tranquility when an existing economic system is functioning adequately, when its breakdown is not in question, the mastery of such theory may seem (though erroneously) unnecessary. It may seem possible to take (as modern equilibrium economics takes, for example) the existing system as an irreducible datum and to study only the deviations from that system's norms, but not the norms themselves. In our formidable epoch, however, when one whole method of carrying on the social and economic life of man is becoming impossible; when it is imperative to resort to an alternative method if barbarism is not to overtake us, economic theory assumes an extreme importance. Thus, exactly contrary to the vulgar assumption, the importance of theory increases directly with the severity of the crisis and the necessity for action. Theory is the eye of practice; theory alone can prevent the decisive actions to which we shall all in any event be constrained, from becoming self-contradictory. Without theory we can blindly do, but cannot prevent what we do from becoming the violent and purposeless deeds of a nightmare."

EDUCATION, ORGANISATION AND ACTION

Since these words were written in 1935, events in Spain have shown how the nightmare which is Fascism, is spreading its tentacles further over Europe. Everywhere throughout the capitalist world it is becoming more and more necessary that the working class movement should achieve that unity which can only be soundly based upon at least an elementary knowledge of the principles which are expounded in these pages. That unity of purpose which alone makes possible unity of action can only be achieved upon a basis of understanding.

One final point in conclusion. The logic of Marx and of Hayek, as brought out by Strachey, and as summarised in these pages, can lead only to one conclusion.

If there is indeed no hope for the workers under capitalism, then everyone who is helping and hoping to find a solution within its structure is an enemy not only to the working class, but to society as a whole —fastening the chains of a decadent system upon the progressive possibilities of society. If Communism is the only logical alternative to Fascism, then everyone who is not supporting the struggle towards Communism is preparing the way for Fascism. For everyone that is an issue which must immediately be faced, and faced definitely, and it can only be faced upon the basis of knowledge. Working class education to-day calls for no academic school of debate; it can only be envisaged as a foundation for action. It is in this sense, therefore, that, with education and organisation going hand in hand, the workers must prepare themselves to act intelligently, while still they are being called upon to act every day. It is only that knowledge which makes possible intelligent and unified action that can produce emancipation. This is the knowledge which gives power.

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NOTE ON READING

This pamphlet is designed as an introduction to a series of lecutres on the "Economics of the Crisis and of Imperialism," which will shortly be made available to railwaymen through the A.R.U. E. & O. Scheme. For these and for others, the following books are recommended as a basis of further knowledge of the contents of this pamphlet.

Strachey, "Nature of Capitalist Crisis."

Leontiev, "Political Economy: A Beginner's Course."

These two are fundamental contemporary treatments of the whole problem, and should eventually be mastered. Also there are:

Burns, "The Only Way Out."

Hutt, "This Final Crisis."

and a host of contemporary pamphlets on Douglasism, Fascism, etc.

For the elementary approach of Marx and Engels to the problem, there are:

Marx and Engels, "The Communist Manifesto."

Engels, "Socialism, Utopian and Scientific."

For further study, in a political sense, "The Two Worlds," issued by Modern Publishers in a series of 6d. parts (four available to date) is excellent, while the Marxist Study Course on "Political Economy," published by Martin Lawrence (11 parts, 9d. each) provides a complete and exhaustive analysis of the whole Marxist-Leninist teaching on political economy, with copious excerpts from their original works, which must simplify every student's effort to master the whole body of important Marxist-Leninist literature.